



**Ahluwalia Contracts
(India) Limited**
Engineering, Designing & Construction

E-mail-On-line

Date: 02-06-2023

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 29-05-2023 at 1.30 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 29.05.2023 at 1.30 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.

For Ahluwalia Contracts (India) Ltd

**VIPIN KUMAR
TIWARI**

Digitally signed by VIPIN KUMAR TIWARI
Date: 2023.06.02 15:45:47 +05'30'

(Vipin Kumar Tiwari)
Company Secretary/Compliance Officer

Encl.: **As Above**



“Ahluwalia Contracts (India) Limited
4QFY2023 Earnings Conference Call”
May 29, 2023



MANAGEMENT: **MR. SHOBHIT UPPAL – DEPUTY MANAGING DIRECTOR
– AHLUWALIA CONTRACTS (INDIA) LIMITED**
**MR. VIKAS AHLUWALIA – WHOLE TIME 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 Ahluwalia Contracts (India) Limited 4QFY23 Results 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 the conference call, please signal an operator by pressing star then zero on a touchstone 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, sir.

Amar Kedia: Thanks, Aman. Good afternoon, everyone, and welcome to the 4QFY23 earnings con call of Ahluwalia Contracts. We have the management today being represented by Mr. Shobhit Uppal and his team. I will now hand over the call to the management for their opening remarks, post which we'll open up the floor for Q&A. Over to you, sir.

Shobhit Uppal: Thank you, Amar. We, Ahluwalia Contracts (India) Limited, an EPC company, have announced our financial results for 4QFY23 and the whole year. During 4QFY23, the company has achieved a turnover of INR863.05 crores and a PAT of INR72.21 crores in comparison to a turnover of INR730.86 crores and a PAT of INR42.35 crores in 4QFY22. EPS of the company for 4QFY23 is INR10.78 as compared to INR6.32 in the corresponding quarter of the last financial year.

During 4QFY23, the company's EBITDA margin is 12.78% as compared to 8.70% and a PAT margin of 8.37% as compared to 5.79% in the corresponding period of the last financial year. During FY23, the company has achieved a turnover of INR2,838.39 crores and a PAT of INR194.16 crores in comparison to a turnover of INR2,692.47 crores and a PAT of INR155.26 crores during FY22. EPS of the company for FY23 is INR28.98 as compared to INR23.18 in FY22.

During FY23, the company's EBITDA margin is 10.72% as compared to 9.53% and PAT margin of 6.84% as compared to PAT of 5.77% in the corresponding period. Net order book of the company as on 31st March '23 stood at INR8,162.74 crores to be executed in the next 2.5 to 3 years. Total order inflow during FY23 was INR5,056.97 crores. During current financial year, as on date, the order inflow is INR3,751.26 crores. Our unexecuted order book as on date is INR12,000 crores approximately.

So I will hand over to our CFO, Mr. Satbeer Singh for taking you through our standard financial numbers.

Satbeer Singh: First of all, cash position. This is INR355.90 crores and the bank position is INR222.12 crores, retention money INR192.13 crores, mobilization advance INR296 crores, unbilled revenue, INR271.59 crores, inventory INR244 crores, which includes real estate inventory around INR39 crores and trade receivables INR671 crores.

Capex during the quarter, INR24.83 crores. Total capex during the year is INR105 crores. Working capital days, 82 days, interest-bearing mobilization advance 50%, order inflow during the -- last year, which is INR5,057 crores. Fixed price capex 28%, bid pipeline around INR3,000 crores to INR5,000 crores.

And regarding order book, first of all, this is segment wide -- commercial 7.56%; infrastructure 10.02%; institutional 37.23%; residential 11.64% and hospital 32.86%, hotel versus negligible 0.69%. And sector-wise, government 83.34%, private 16.66%. Region-wise; east, 37.97%; north, 32.86%; west, 19.16%; south, 4.83% and overseas 5.18%. That's it. Now we can listen to the questions.

Moderator: The first question is from the line of Shравan Shah from Dolat Capital.

Shравan Shah: And first of all, congratulations on significant order inflow for '23 and this year also. So sir, now first, I just wanted upgrade in the guidance on the top line of -- and particularly. So what kind of revenue are you looking at this year? And also at the same time, in terms of the margin this quarter, we have seen a significant improvement. So what kind of number we can look at for FY '24?

Shobhit Uppal: So Shравan, the revenue guidance is upward of 20%. And the margin will be upwards with the margin retained in this whole financial year, so it will be 11% or thereabouts or above. We'll strive to cross the 11% threshold that I had said in my last con call.

Shравan Shah: Okay. So this 11% is excluding the other income that we can upwards of that we can...

Shobhit Uppal: Yes. Yes.

Shравan Shah: Okay. Second, sir, this 20%, what's the possibility that we can go to even 25% to 30%? Is there a possibility or the new order that particularly the station development or that we are seeing -- it will take some time before it starts kicking in. So in terms of design, it will take time, and that's what we are seeing only just a 20% growth for this year?

Shobhit Uppal: Yes, you answered your question yourself. While there is a probability that we will cross 20%, but the biggest order is the station, and it is going to; take about 4 months before we actually break ground. We've seen that with the station that we are doing in Chandigarh, it's taken 4 to 5 months to get the designing done, get it approved. And now we are beginning to break ground there.

So we expect the same to happen here in Mumbai since this is much larger and the complexity in terms of coordinating various aspects of design is much higher, so it will take that much time before we start generating revenue from that one project, yes. That's why we are being conservative, and we are saying that there will be a revenue increase of about 20% or thereabouts.

Shравan Shah: Okay. And in terms of now when you say we have a INR3,000 crores to INR5,000 crores kind of a pipeline, and we have already received INR3,751 crores inflow, so how much more now

are we looking at to add? And is there also we are looking at any such big station development to that?

Shobhit Uppal: As far as station development projects are concerned, we are evaluating our options going forward. But the focus is going to be on successfully executing these 2 jobs that we have got. As far as the further order inflow during this year, I think it will be in the range of about INR2,000 crores to INR2,500 crores.

Shravan Shah: Okay. So then does that mean that at a consistent level also, we can look at 20%-plus kind of a growth for at least follow-up years?

Shobhit Uppal: I think so, yes.

Shravan Shah: Okay. Okay. Lastly, the capex for this sir, how much are we looking at, particularly on the station redevelopment, do we have to spend some extra?

Shobhit Uppal: Look, station redevelopment, nothing extra per se, which will be different from other building projects because out of a total say, area, nearly 60%, 2 million square feet are fresh building where we will have to spend on shuttering. Even if you take a look at our capex this year, we've done a capex of INR105 crores, out of which nearly 50% is on shuttering and rest is on major equipment. Going forward, we are looking at a nearly 20% to 25% increase in the capex this year, should be in the range of about INR125 crores.

Shravan Shah: And then in terms of the working capital are likely to remain the same? Or is there any improvement that we have seen post the March because I think slightly the debtor days has increased versus December 63 days to 82. So net-net, are we on the broader levels, are we looking at some further improvement in the working capital days?

Management: This working capital day, I think, should remain around 70 to 75 days. This is because of late finalization of most of the bill. That's why our working capital has increased as on 31st March. But I think so and going forward this would be around 70 to 75 days.

Shravan Shah: Okay. And lastly, sir, [inaudible 0:11:33] anything in terms of the monetization or the spend remains the same?

Management: Yes, it remains the same.

Moderator: The next question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: Two questions on my side. First off, congratulations on a very good quarter and a year. So first question on the CSMT redevelopment. Bid numbers are far lower than L2. Can you expect a similar margin which you do in the rest of the order book? That's the first question.

Shobhit Uppal: It was a strategic bid, and we are confident of our bid. And whatever margins we take when we are preparing a bid, the same has been taken as far as this project is also concerned. And whether the other bids were correctly priced can be seen from the fact that the other 2 large stations, which were bid out have been recalled.

- Mohit Kumar:** Understood, sir. My second question for you, is there any slow-moving order in our order book? And the what was the percentage of it in the order book?
- Shobhit Uppal:** I don't think the -- in the days gone by, the slow-moving orders were the orders in West Bengal in which the projects have been completed, the auditorium was inaugurated in the last quarter. And then the Gardanibagh in Patna, that also, part of that project has been inaugurated and the rest will be completed in this year. And the Veterinary University and Hospital, that project has also picked up speed. I don't think there are any slow-moving orders in order book at the moment.
- Moderator:** The next question is from the line of Parvez Qazi from Nuvama Group.
- Parvez Qazi:** Congratulations for the great set of numbers. A couple of questions from my side. We have obviously surpassed expectation on order intake, I think both in FY '23 and whatever has transpired in the last 2 months. How do we see the competitive intensity currently? Has it come down? Or because these are large-sized projects, you think we have probably done better than what we were expecting?
- Shobhit Uppal:** So to answer your second question first, yes, we have done better than what we were expecting. The situation as far as the competitive intensity is concerned, is very peculiar. In some of the larger projects, the intensity is lower because I think -- and not many companies qualify, right? But whether it will remain the same or not, if the government -- our information is that maybe some departments may go for May and may allow JVs because some of our peers have bid indiscriminately on some of the largest station projects.
- So we are still not very clear how the competitive intensity will pan out. On the private sector side, where also the order pipeline is improving because delivery is key on account to RERA. There, we feel the competitive intensity is going to be lesser because large real estate developers are looking for construction entities who have a track record of delivering on time.
- Parvez Qazi:** In fact, that was going to be my second question. I think we have taken some orders from private real estate developers, now NCR as a market really is doing very well on the housing side. So can we expect you to maybe look for more orders there from reputed developers?
- Shobhit Uppal:** Yes, I mentioned that in our last call also that in the longer term, we would like the private sector to also play a larger role in our total order book. And with that aim in mind, we have started looking at reputed developers. We won an order from DLF from Puri and certain other blue-chip clients are there who continue to be a part of our order book. And yes, going forward, this will be a focus area for us.
- Parvez Qazi:** In terms of state government payments, how is the situation now?
- Shobhit Uppal:** As I mentioned in response to an earlier question, Bengal where the state being slightly cash strapped, we have got Milan Mela Project which we completed in about 5, 6 months ago. We've got most of our payments from that project, only the add-on GST impact is pending. As far as the auditorium is concerned, which we completed in the last quarter, there are also final bills are under process, so those money should also come in.

As far as Bihar is concerned, from Bihar Medical from Chappra sorry, from the Chief Ministers Constituency that project is partly complete, money has also come in. Chappra, we are expecting. We've been told that being the Deputy Chief Minister's Constituency that also they are focusing to complete in this year. So as far as we are concerned, I don't think there are any major funds which are stuck up with any state government.

- Parvez Qazi:** Sure. And a couple of questions for Satbeerji. sir, what would be your gross debt at FY '23 end?
- Satbeer Singh:** It's around INR390 crores.
- Parvez Qazi:** I'm talking about gross debt, not debtor.
- Satbeer Singh:** Gross what, you're asking for -- gross debt is, this is negligible. This is INR2 crores INR2.59 crores.
- Moderator:** Next question is from Deepika Bhandari from Phillip Capital.
- Deepika Bhandari:** My question pertains to -- Sir, our revenue for the fourth quarter was a little lower than our expectations. So what were the headwinds that we have faced in this quarter?
- Shobhit Uppal:** So yes, it is slightly lower because a couple of projects being design-build projects, designing process, being EPC projects, the designing process took a little longer. As I said in my answer to one of the earlier questions, Chandigarh station, it has taken a while for us to hit the ground as also NIT, Patna where now we've -- the designs have been approved and we've ramped up the execution.
- Deepika Bhandari:** Okay. Sir, also, sir, our debt is negligible, but our interest cost has risen significantly Q-o-Q. Can you give us the breakup and how do we see the interest cost -- I mean what do we budget for FY '24?
- Shobhit Uppal:** I think if you see the entire year, our interest costs have come down by 0.5 percentage point. I think -- so it was about 1.6% last financial year and FY '23 it was 1.1%. Last year, this was about INR43.70 crores This year final quarter is INR33.07 crores. And as a percentage, it is coming down by about 0.5%.
- Deepika Bhandari:** Okay. So sir, do we expect the range to go in the similar level going forward?
- Shobhit Uppal:** I think so, yes.
- Deepika Bhandari:** Okay. Sir, last question, sir, the payment -- how is the payments from the state government right now. Last time, you said that post new government payment inflow has increased from Bihar and other states.
- Shobhit Uppal:** So Deepika, I did mention that when I was answering Parvez's question that Bengal and Bihar, these were 2 critical states where last time around, the -- there was a bit of a cash strap, but things have improved.

- Moderator:** The next question is from the line of Yogesh Bhatia from Sequent Investment.
- Yogesh Bhatia:** Congratulations on very good set of numbers. I missed the earlier information that -- can I get a breakup of your order book, how much is from the real estate, private sector and from the other sectors?
- Satbeer Singh:** This is 17% which is private, and government is 83%.
- Yogesh Bhatia:** 17% is private and 83% is government, correct?
- Satbeer Singh:** Yes, yes.
- Yogesh Bhatia:** Okay. And government main -- mainly, it is state government or central government, how do we define that?
- Shobhit Uppal:** So no, it's a combination of state government and central government. So off hand out of our total -- do we have that breakup -- state government, central government do we have? No. So we are -- just to give you an idea, we are working in Assam, we're working in Himachal. We are working in Bihar. West Bengal, the projects are over, almost over.
- So in Bihar, we have, I think, a total order book of about INR2,000 crores, out of which unexecuted would be about INR1,300 crores. In Assam, we have projects worth about INR1,000 crores. These are approximate figures. We will get back to you. Satbeer will get back to you. Yes. And in Himachal, we have projects worth INR600 crores -- how much?
- Satbeer Singh:** INR776 crores, unexecuted.
- Shobhit Uppal:** INR776 unexecuted, out of which one is private, INR100 crores. So about INR676 crores unexecuted. Primarily, these are the 3 state governments that we are working with.
- Yogesh Bhatia:** Okay. So sir, we mentioned that our unexecuted order book is INR12,000 crores and...
- Satbeer Singh:** As on date, as on date.
- Yogesh Bhatia:** Yes. Okay. But these 3 states make up only INR3,700 crores. So what is the remaining unexecuted order book from the government?
- Satbeer Singh:** This is 77%.
- Yogesh Bhatia:** This is 37%?
- Satbeer Singh:** 77% government.
- Shobhit Uppal:** Remaining unexecuted order book, again, to give you broad numbers, is going to be the Jammu AIIMS, which is a central government project, and the big daddy of all projects is CSMT project, which is INR2,450 crores, which we have yet to begin execution, which is, again, R&D central government project. And Chandigarh station, about INR470 crores, again,

a central government projects, NIT Patna, which is about INR500 crores, a central government project.

Moderator: The next question is from the line of Bharani Vijay Kumar from Spark Capital.

Bharani Kumar: So there is a common commentary running across the...

Moderator: Bharani may I request you use the handset mode and come...

Shobhit Uppal: Yes, your voice is not clear.

Bharani Kumar: Sure. I was saying there's a commentary across contractors highlighting this year could be challenging both, say, order inflow and execution near the end of the financial year due to the upcoming general elections. So what is your view on that, sir?

Shobhit Uppal: No, I don't think so. I think we are -- one of the key things or factors that we are comfortably placed is because we have a very healthy order book, one. And the challenge that I foresee is that since the order pipeline across the sector is very robust, the challenge I foresee is availability of manpower -- skilled manpower. Hello. Did you -- did I answer your question?

Moderator: So, Bharani Kumar, your line is unmuted, is your question answered? Seems there's no response from the line, sir, we will move to our next caller. That is from the line of Dhruvesh Sanghvi from Prospero Tree.

Dhruvesh Sanghvi: Congratulations on fantastic numbers. Just thinking a little bit ahead. So while we were -- if I compare it from a 5, 6 years perspective, we used to execute around INR1,500 crores, INR1,600 crores, and you used to say that we will, in the 4, 5 years, reach INR2,000 crores or INR3,000 crores mark, which we are almost there. And from here, can we say that in a similar fashion, we will probably, in the next 3 to 4 years, start executing approximately INR5,000 crores range per year? Is that a fair direction to think?

Shobhit Uppal: I think so yes.

Dhruvesh Sanghvi: Okay. Sir, then in terms of the business, when we are relatively smaller, the risks associated to certain projects are also relatively well managed. But what kind of new risk can arise as the size increase? Or no -- with the size increasing, it is actually reversed than what I'm probably saying, especially when we are dealing with governments, state, and center both.

Shobhit Uppal: No. What you are saying is something that I've always said in all our investor calls or investor meets that when a company grows, you make a quantum jump from one -- across the threshold from one level to another. Actually, in our case, reverse economy of scale kicks in because it is -- we are still dependent on labor, where there is organized construction techniques or industrial techniques are still not that much a part of our industry because standardization is very low. So one has to be very, very watchful when one is approaching the threshold or making that quantum jump.

That is why over the last 5 years or 10 years, we've always grown at -- grown conservatively. Our appetite has been limited. So that is why we projected 15% to 20% growth. We have,

based on our experience in the past, we've tried to plug the gaps which normally need to increase pilferages or lesser efficiencies and try and do our due diligence on the kind of clientele that we look to add to our existing clients, list of clients.

So going forward, we will continue to do that. And more so, especially at this time when we're looking to cross this threshold and look to becoming a INR5,000 crores revenue-making company over the next 4, 5 years, so we will probably -- our due diligence will increase further.

Moderator: The next question is from the line of Rajat Sethiya from ithubought PMS.

Rajat Sethiya: Sir, how are you seeing data centers as an opportunity and how big do you think it can become over the next few years? And related to this is, do we already have anything in our order book?

Shobhit Uppal: Yes, we are doing -- actually, we're doing 2 data centers. One is for Google through Adani. Adani is a client in Noida, where about 40% of the job is done. Our value of the work is about INR215 crores. The second data center, we've just started for **RBI** through their subsidiary IFTAS in Bhubaneswar where we are in the process of starting the foundation. This is to be completed in the next 1.5 years. Engineers India Limited is the nodal agency, government agency or the PMC there.

Now to answer the first part of your question, I don't see this as a very big opportunity. About 6 to 8 months ago or 9 months ago, we were looking at this as a big opportunity, but I don't think this is a major opportunity, considering the size of the projects, which are being tendered out.

So on the one side, we've just won this big order of INR2,450 crores, which may be an outlier, but now we are bidding for a number of projects which are in excess of INR800 crores, INR900 crores. So whereas the data center opportunities are INR200 crores -- INR250 crores, INR300 crores. So -- and back to what we are seeing is clients are cannibalizing these projects. So going forward, this is not a focus area for us.

Moderator: The next question is from the line of Nikhil Abhyankar from ICICI Securities.

Nikhil Abhyankar: Sir, can you just brief us upon the station redevelopment opportunity that is available today? And you've already said that Delhi and Ahmedabad station redevelopment tenders will be done again. So are we looking to participate in it given that bids were extravagantly higher?

Shobhit Uppal: So it is a part of the pipeline. Let's see, we are keeping our options open.

Nikhil Abhyankar: Okay. And sir, can you just mention what is the total opportunity for station redevelopment?

Shobhit Uppal: Look, it's a big opportunity. But again, other than the bigger stations, we are slightly wary of the smaller ones because the competitive intensity is very high.

Nikhil Abhyankar: Okay. In the smaller ones, the competition is high than the larger ones. So we'll focus on the larger ones only.



Shobhit Uppal: Yes.

Nikhil Abhyankar: Okay. Sir. And in the initial remarks, I missed retention money and mobilization advance, can you just give those?

Shobhit Uppal: Yes. I think Satbeer will take you through those numbers. Satbeer?

Satbeer Singh: The retention money is INR192 crores, mobilization advance is INR296 crores.

Nikhil Abhyankar: INR296 crores.

Satbeer Singh: Yes.

Moderator: The next question is a follow-up question from the line of Bharani Vijay Kumar from Spark Capital.

Bharani Kumar: Apologies, I got dropped out.

Moderator: Sir, your voice is not -- still low. Mr. Kumar, may I request you to use the handset?

Bharani Kumar: Yes, apologies. My call got dropped before I could get to my second question. Can you give a color of split of this INR3,000 crores to INR5,000 crores bid pipeline according to, say, subsegments, say, station redevelopment of hospitals or residential, real estate?

Shobhit Uppal: So there are 2 big orders that we recently bid out, which are about INR2,500 crores for NBCC redevelopment. Sarojini Nagar in Delhi, then we bid out for MAX Hospitals, 2 projects, which are also about INR1,500 crores. And then there are certain private education institutions for which we bid out. This would be about another INR700 crores and some private real estate developers in Bangalore and Hyderabad and in Delhi, which would be about another INR800 crores or INR1,000 crores.

Bharani Kumar: Okay. Great. I think that gives a very good color of your bid pipeline, sir. What would be your order inflow expectation for '24 sir?

Shobhit Uppal: So I said, as I mentioned, we've -- this financial year, up till date, we've got orders worth INR3,700-odd crores and another maybe INR2,500 crores.

Moderator: The next question is from Shravan Shah from Dolat Capital.

Shravan Shah: Sir, this breakup of the bid pipeline that you mentioned. So any specific in terms of the bids that we have already submitted when they are likely to be opened?

Shobhit Uppal: No. As far as the private bids are concerned, with them discussion is happening. As far as the government and NBCC, has **told two bids and three bidders have been done**. So I think they are evaluating the qualification criteria of these bidders. They should be opened in the next one month.



- Shravan Shah:** Okay. Got it. And sir in terms of the fund, non-fund base limit, what's the limit and how much we have utilized, particularly with the non-fund is definitely nothing utilized?
- Satbeer Singh:** At present, this is INR1750 crores approximately. And unutilized limit around INR250 crores.
- Moderator:** The next question is from the line of Jiten Rushi from Axis Capital.
- Jiten Rushi:** Congratulations on good set of numbers. Sir, my question was on the CST project. So we should be expecting some mobilization advances initially? Or it will be like -- 5% now and 5% later. How does it work in terms of mobilization advance?
- Shobhit Uppal:** Vikas, do you want to answer that?
- Moderator:** Sir, Vikas sir line just got dropped. We're reconnecting Vikas sir?
- Jiten Rushi:** So is it like Chandigarh also the same like -- how does Chandigarh works usually in this line?
- Shobhit Uppal:** In CST, we will -- as we've done -- our policy is that because on all these government projects the advances are interest-bearing. So going forward, we are limiting our exposure to interest. So in CST also, we are preparing our budget, our cash flows. But based on initial estimates, we will take about 50% of the advance that we are entitled to.
- Moderator:** Sir, we have Vikas sir reconnected.
- Shobhit Uppal:** I think I've answered that question since Vikas has dropped off. So any further question on this? Did I answer that question?
- Jiten Rushi:** So you -- yes, I just want to reconfirm what you said, 50% advances you go for?
- Shobhit Uppal:** Roughly, yes. Because we are making -- it's a conscious effort on our side to start to build up cash reserves and start utilizing those reserves to get our interest or finance costs down further.
- Jiten Rushi:** But sir, this will also be interesting bearing. Working capital...
- Shobhit Uppal:** That's why I'm saying since this is going to be a capital-intensive project, we are going to -- we will take the advances, utilize advances from the government, but not totally to keep our interest costs low.
- Jiten Rushi:** And sir, one more request. We have stopped seeing presentation for seeing quite some time. On each call, we said we will be uploading but we don't see that. So in terms of order backlog breakup usually we used to get some top 10, 12 projects order backlogs in the presentation, which was really helpful.
- Shobhit Uppal:** So Satbeer is saying it's uploaded on our website. Our investor presentations has been -- updated presentation is uploaded.
- Jiten Rushi:** Sir, in terms of order backlog breakup, can you get something on the excel where we can come to know what is the status of various other projects also.



- Shobhit Uppal:** We will share it -- we'll share it.
- Moderator:** Next question is from the line of Deepika Bhandari from Philip Capital.
- Deepika Bhandari:** Just a couple of questions from my side. In terms of our net order book as on FY '23, which was -- the order book was not contributing into revenue, which is the projects that are not -- the total portion of order book that was not started at the end of -- as on date, 31st March.
- Shobhit Uppal:** I think as on date, 31st March, Chandigarh station had not -- she said which has not contributed to revenue. It was only Chandigarh station.
- Deepika Bhandari:** Okay, sir. And now after the new orders and including the L1 orders, what would be our fixed price contract out of the INR12,000 crores order book?
- Shobhit Uppal:** I think Satbeer had mentioned, it's about 23% -- 28%.
- Deepika Bhandari:** 28%.
- Shobhit Uppal:** Yes.
- Moderator:** The next question is from the line of Rajat Setiya from iThought PMS.
- Rajat Setiya:** Sir, what are the scale advantages that we have in our line of business?
- Shobhit Uppal:** Key advantages, which -- in our line -- you're asking about Ahluwalia -- the advantage that Ahluwalia has over its peers?
- Rajat Setiya:** Yes. I mean, in the EPC construction business that we are in, other than scale advantages...
- Shobhit Uppal:** That's my secret. Why should I -- why should I divulge it. Anyway, that was said in a lighter vein -- no. I mentioned in my past interaction, Ahluwalia is, to my mind, the only true-blue EPC company in the country. We have in-house divisions doing electromechanical works, low voltage works, building facade work, finishing works. We only outsource highly specialized works like Otis or elevators, escalators, so on and so forth. Otherwise, all skill sets over the last decade or so have been built in-house -- developed in house.
- So that is even Larsen & Toubro for that matter does not have these skill sets in house, they outsource, like air conditioning work, electrical works, plumbing, firefighting work. So that is one advantage that we have. And these entities going forward like building facade work, they also are independent profit centers where they are doing projects where the parent single company is also not working, so that is one key advantage.
- Second, because we are present in all the key states from where labor is sourced like Bihar and Bengal and Orissa. We have a better handle on this resource, which going forward, as I mentioned earlier, is going to be in short supply.
- Rajat Setiya:** Understood. And sir, as we grow in scale, do you expect our cost structure to increase at the same rate? Or do you think there will be some operating leverage kicking in?

- Shobhit Uppal:** Look, on the short-term side, it will grow at the same pace, but we have started at the back end. We started taking some steps like digitization or digital transformation to increase our efficiencies. In the long term, I feel the benefits of increased -- or economies scale will kick in.
- Rajat Setiya:** Understood, sir. And with regards to our business mix between government and private, over the next 3 to 4 years, how do you see this changing from the current levels of 83% government?
- Shobhit Uppal:** More equitable, that's our goal since the private sector has also started reviving. There is a lot of work there and not necessarily only in the residential side, also on the commercial real estate and also industrial, we had in this last quarter of bid for 3 greenfield industrial projects also. So over the next 5 years, we'd like to bring it at more equitable levels as far as the government and private sector is concerned. It's not 50-50, maybe 60-40. That's what our goal is.
- Rajat Setiya:** Sure. And within private, like you mentioned, real estate, beyond real estate you will have other aspects as well, like we own residential real estate. So can you still say that residential real estate will be the prime mover and then maybe commercial and industrial?
- Shobhit Uppal:** Yes, and also institutional for that matter. We've seen -- I mentioned a short while ago that we bid for 2 large MAX Hospital projects. We are seeing activity in hospitals. We are seeing a bit of activity in hotels also, and clients like Amity or Bennett, who are into education, they continue to grow. So yes, institutional sector also provides scope.
- Rajat Setiya:** All right. And sir, finally, with regards to our finance cost, which is coming down, which is a very great sign, it's coming down as a percentage of sales every year in the last 2, 3 years. So -- and you mentioned that your endeavour is to bring it down further by managing the cash better. So do you expect that it can actually -- I mean, we are already at 1.2% of sales. Is there a scope to bring it down to below 1% as well?
- Shobhit Uppal:** That's what our goal is in this financial year.
- Moderator:** The next question is from the line of Parikshit Kandpal from HDFC Securities.
- Parikshit Kandpal:** Congratulation on a great quarter, sir. My question is on the margins. So you have said that we're looking to do 11% plus EBITDA margin, so if I look at the size of the projects have gone up significantly, so which -- some scale benefits, with number of sites here. The commodity inflation may be now stabilized and receding, so -- but still we're not very confident of going back to that 13% to 14% margin or 12% to 13% margin, still at 11%. So what could be the potential reason you see the margins not expanding from here on?
- Shobhit Uppal:** It's too early to say that. As I said, one of you only mentioned elections are around the corner. So there will be some degree of uncertainty, though we feel we are insulated because of our healthy order book. The numbers you say inflation is receded. But yes, it's been -- it's receded a few months ago, also then went up again. So especially with election around the corner, we don't know what impact is there going to be on the prices. In the past, we've seen key construction materials like; cement and steel going up closer to election.

And secondly, I mentioned labor pricing because labor as a resource is in short supply. And as the construction further picks up pace, this paucity of skilled labor is going to increase further. So this is something which is -- which actually worries us. So that is why our projection or guidance for EBITDA is around 11%.

Parikshit Kandpal: Because even your fixed price order book is around 28%, so that is not a very big number. So even if I assume that this station development project, is it a pass-through? Is it having escalation passed?

Shobhit Uppal: It's linked to the RBI index. Yes, there is an escalation there.

Parikshit Kandpal: Okay. So it's more like you want to be conservative than like giving any bigger numbers. So given the...

Shobhit Uppal: We've always been conservative.

Parikshit Kandpal: Sir second question is on -- you said that you're not going to pick up the advances from the station redevelopment project, only 50% of that will be picked up. So how is due to the funding? I mean, are you going to take increase higher allocation of working capital debt. How do you intend to then do construction?

Shobhit Uppal: No, no, I've -- We have, as I said, 50% we will take because we want the client's skin in the game too and rest, we will manage from internal accruals. The company is focused, the management is focused on remaining zero debt.

Parikshit Kandpal: But you're confident that despite like the bids -- huge variation in the CST Mumbai bids, you will still be able to make that 12%, 13% kind of EBITDA margin on this project?

Shobhit Uppal: I never mentioned 12%, 13%. I am saying that we are confident we will maintain our usual margin, that's how we bid, and that margin is there in our bid. It's not like we've been over aggressive.

Parikshit Kandpal: Okay. So usually, I think we used to guide 12% to 13% so I'm assuming that similar kind of margins, EBITDA margins will also be there in this project.

Shobhit Uppal: I have given guidance of 11% across the company across the year. So yes -- so this is a design win project. To specifically answer your question so as you're worried -- we've been asked this since this bid was opened by you and other peers of yours that -- the worry in the market is that our bid is over aggressive, it isn't.

If you were to see the estimate that the government was about INR1,850 crores, we have -- if memory serves me right, they've awarded it to us at about nearly 30% above their price. And in government sector, what happens is there is an estimate and then post the bid, there is a justification prepared. So -- and then the accepted value has to be within 10% in extreme cases of the justification amount.

So the department or the ministry has prepared the justification, and we are about 10% higher than the justification. As far as the -- our numbers are low when you compare them to, or you've been -- all of you have been comparing them to Ahmedabad and Delhi.

Now those numbers were ridiculous numbers. The bids were ridiculous, if I may say so, which government, no government, except the Banana Republican award jobs, which are 80% above their estimate prices, so they were bound to get cancelled. I think the microscope has to be on those bids not on our bids. We are confident about our bid.

Parikshit Kandpal: Okay. Just for reassurance and nothing else. I know government bids are higher than government cost projects. I just want to have assurance on that.

Shobhit Uppal: Yes.

Moderator: The next question is from the line of Naitik Mohta from Sequent Investment Advisors.

Naitik Mohta: So my first question is regarding the execution of projects in FY '24. So we are seeing that in multiple parts of the country and earlier monsoon has come and it has halted quite some construction activities, so do we see any impact of that for us? And like will it slow H1 or probably Q1 numbers and then major growth will start coming from H2?

Shobhit Uppal: You're right. The monsoon has impacted our projects in Assam and a couple of other states also. Bihar also it started impacting. So yes, Q1 numbers, Q1 and Q2, yes, we are traditionally impacted by monsoon.

Naitik Mohta: Okay. And sir, sorry, if I'm reiterating, but regarding the margin, so we have given a very conservative guidance of 11% margin and see the 20%, 25% revenue growth that we're planning to see, and raw material prices also have stalled off. So can we see 12%, 13% -- 13% margin than we used to earlier or is this also an effect of the share of public sector projects that have increased in our total order book against the private sector.

Shobhit Uppal: No. So what was your last statement, what have you asked about private sector, you were not audible?

Naitik Mohta: So, I am comparing to the time when we used to do 13% margins but share of public sector projects in our order book has increased quite some against the private sector. So is that the reason why we are conservative on margin side?

Shobhit Uppal: Yes, you're right. We've always maintained that private sector, if the projects happen on time, the fund flow is maintained by the developer of the client, the margins are higher. So that is why in the longer term, we want to maintain a more equal listing ratio between private and public sector, so that is that. But we maintain our guidance of 11% or thereabouts for this financial year, at least because there are a number of uncertainties going forward, especially the elections.

Moderator: Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for their closing comments. Thank you, and over to you.



Shobhit Uppal:

Thank you so much, everybody, for joining in. I look forward to talk to you again after the end of the next quarter. Thank you. All the best.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.