



“Ahluwalia Contracts India Limited 1QFY25 Earnings Conference Call”

August 16, 2024



MANAGEMENT: **MR. SHOBHIT UPPAL – DEPUTY MANAGING DIRECTOR, AHLUWALIA CONTRACTS INDIA LIMITED**
MR. SATBEER SINGH – CHIEF FINANCIAL OFFICER, AHLUWALIA CONTRACTS INDIA LIMITED
MR. VIKAS AHLUWALIA – WHOLE-TIME DIRECTOR, AHLUWALIA CONTRACTS INDIA LIMITED

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



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Moderator: Ladies and gentlemen, good day and welcome to the Ahluwalia Contracts India Limited 1QFY25 Earning Conference Call hosted by Ambit Capital.

As a reminder, all the 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

Yash Jain: Thank you. Good evening, everyone. Welcome to 1QFY25 Earnings Conference Call of Ahluwalia Contracts Limited.

From the Management today, we have Mr. Shobhit Uppal – Deputy Managing Director and Mr. Satbeer Singh – CFO of the company.

I will now hand over the conference to the Management Team for their “Opening Remarks” after which, we shall open the floor for Q&A. Thank you and over to you, sir.

Shobhit Uppal: Thank you so much. Ahluwalia Contracts India Limited Construction Company has announced Financial Results for 1QFY25.

During Q1 FY25, the company achieved a turnover of Rs. 919.35 crores and PAT of Rs. 30.60 crores in comparison to a turnover of Rs. 763.61 crores and the PAT of Rs. 49.73 crores during Q1 FY24. The turnover of the company increased by 20.39% during Q1 FY25 in comparison to Q1 FY24. EPS of the company for Q1 FY25 is Rs. 4.57 as compared to Rs. 7.42 in Q1 FY24. During Q1 FY25, the company’s EBITDA margin is 6.58% as compared to 10.83% and the PAT margin of 3.33% as compared to 6.51% in the corresponding period.

Net order book of the company as on 30th June 2024 is Rs. 13,143.72 crores to be executed in the next 2-1/2 to 3 years. Total order inflow during FY25 till 30th June Rs. 2,727.93 crores from 1st July till date Rs. 2,217.61 crores, so total order inflow during FY25 till date is Rs. 4,945.54 crores.

Thank you. We are open for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.



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Mohit Kumar: My question was on this margin in the quarter was 6.5% if I am not wrong, can you just tell us why there was such a low margin this particular quarter and how do you think the balance here to pan out, if I remember correctly, I think we had guided for 11% margin for FY25?

Shobhit Uppal: So, Mohit, there are a couple of reasons, 3-4 reasons for reduced margins. 1 primarily is reduced turnover in this quarter. We have been impacted first by the elections. Then pretty much May and June have been heavily impacted, reduced manpower on account of election. Then the CSTM project that for a variety of reasons, the turnover that we had anticipated or planned for has not happened. We have done a turnover of about Rs. 30 crores from CSTM in this quarter. That is on account of design finalization from the client or a lot of changes because the design which was given or the concept which was given was not as per the bylaws that had to be totally revamped. And then there were tree cutting issues in the buildings which were Greenfield buildings there. Then June has been a write-off, especially in Mumbai on account of rain, July also now, even in the rest of the country. So, these are a few reasons and then our increased staff cost which is due to the fact that to execute the projects that we have in hand, we have obviously incorporated or taken in more staff, so that has led to an increased staff cost. So, these are the reasons and then there are a couple of write-offs totaling Rs. 6.20 crores where couple of our clients have been taken to NCLT. So, we have had to put in those write-offs. So, the sum total or aggregate of all these reasons has led to reduced margin. Did I answer your question?

Mohit Kumar: Yes, you did, sir partly, what do you think about the entire fiscal year?

Shobhit Uppal: So, I think I did do remember mentioning last time also that quarter 1 will be impacted by elections and quarter 2 to some extent by monsoons. H2 is something Q3 and Q4 is something traditionally where the run rate is higher and the margins are also higher. So, we still anticipate that we will cross double digit margins in the full financial year. Q2 is also expected to be muted because monsoons have played havoc as I said, not only in Mumbai or Maharashtra, but July has been quite muted in other states also.

Mohit Kumar: My second question is on the labor issue, are you facing labor issues because we have heard from various developers that they have labor issue due to elections, the labor issues has got over or you didn't face any challenges as far as the labor availability is concerned?

Shobhit Uppal: No. Two parts, I will answer this question. Yes, elections impacted labor in a big way. As I said May and June, we were virtually working at about 40% labor across pan India bases. This obviously now has improved the situation. But we expect that labor is going to be or labor shortage or skill shortage is going to be a perennial problem with so many projects having been launched and continuously developers are launching new projects. Infrastructure pace picking up once the new government is formed. Labor shortage is here to stay, so we will have to find



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out ways and means to combat this collectively. All the constituents of the ecosystems will have to come together to see how we can mitigate this problem.

Moderator: Thank you very much. The next question is from the line of Sunny Roy, who is an Individual Investor. Please go ahead.

Sunny Roy: I just wanted to know the reason for the high subcontract work charges, it is about 40% year-on-year increase against a 20% increase in revenue, so what led to that high subcontracting work charges?

Shobhit Uppal: So, this is again primarily, part of the subcontracting work, this has two parts. One is subcontract with material and the other is subcontract which we give on labor rate, pay for it to shuttering contracts or bar mining contractors or stone contractors which is labor. So, part of this includes the labor also, and due to the reduced turnover, that is why this cost is higher.

Sunny Roy: So, you expect this to normalize going forward?

Shobhit Uppal: As I said in H2, it will. This will continue to be a little higher in Q2 because as I said, 50% of this quarter has already gone and monsoons have impacted us quite badly. But we expect that this will go down to normal levels in the second part of the financial year.

Sunny Roy: And given the labor shortages and labor issues, do you think when the way we are bidding aggressively for the projects and all we should get to the double EBITDA margin going forward for the future?

Shobhit Uppal: We think we will. Based on the order book in hand as also the rates that we have managed to get, we factored in the increased parts cost and these new projects that we won, say about Rs. 4,500-5,000 crores in this financial year, I think in Q3 and Q4, these projects will take off and will contribute to an increased margin.

Sunny Roy: And sir, what is the thinking view regarding the future bidding for the future projects? Should we bid aggressively now that we have already backed 4,000 plus in this financial year orders, so how are we bidding, will we bid aggressively or will be much more conservative?

Shobhit Uppal: We are not bidding aggressively. Even in this quarter, we have not bid aggressively.

Moderator: Thank you. Next question is from the line of Rohan Shah from Dolat Capital. Please go ahead.

Shravan: Shravan here. Sir, just to confirm, when we say that Q2 will also be muted due to monsoon, so can we see similar kind of a margin or it would be close to 8%-9% kind of a number?



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- Shobhit Uppal:** We anticipate the margin will go up because as I said May and June were almost total write-offs on account of election and rain. So, elections are behind us now. Labor position has started going up. So, we anticipate our turnover to go lightly. And in this quarter, July has been a write-off, but I think September CSTM also the progress should pick up substantially. So, there will be an increase, but not a substantial increase in the margin, but H2, I think we will see a substantial increase.
- Shravan:** So, in H2 then we should have a 10.5% to 11% kind of a margin, so will that run rate?
- Shobhit Uppal:** 11% in H2
- Shravan:** So, then that run rate will continue for FY26, so for FY26, so how one can look at?
- Shobhit Uppal:** It should, because in an answer to the earlier question, we are not bidding aggressively. Our focus, which I mentioned last time, has shifted more to the private sector. There is greater demand for timely delivery, quality delivery. There are only a handful of contractors in the private sector side. The competition is less. The rates that we are able to get are far better than the government projects, so I am quite hopeful that this run rate which we are expecting in H2 will continue to FY26 also.
- Shravan:** And in terms of the revenue guidance, we maintain the same 20% kind of number for FY25?
- Shobhit Uppal:** 15% to 20%.
- Shravan:** And for FY26 also, similar run rate can be maintained?
- Shobhit Uppal:** Yes.
- Shravan:** And then inflow, how much more now we are looking at so far? What is the bid pipeline and so Rs. 4,950 odd crore we have received, so how much more now we can look at?
- Shobhit Uppal:** I think we can look at about Rs. 2,500-Rs. 3,500 crores.
- Shravan:** And the pipeline remains the same for Rs. 5,000-Rs. 6,000 crores kind of a pipeline?
- Shobhit Uppal:** Yes.
- Shravan:** Sir, some balancing number, I needed, inventory, debtors, creditors, mobilization advance, unbilled revenue?



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- Satbeer Singh:** Yes, debtors is Rs. 811 crores. Retention is Rs. 327 crores including non-current. Mobilization advance is Rs. 541 crores.
- Shravan:** Mobilization advance?
- Satbeer Singh:** Rs. 541 crores.
- Shravan:** And trade payable?
- Satbeer Singh:** Trade payable Rs. 706 crores, inventory Rs. 354 crores, unbilled revenue is Rs. 489 crores.
- Shravan:** And gross debt?
- Satbeer Singh:** Rs. 100 crores.
- Shravan:** And cash and cash balance?
- Satbeer Singh:** Cash and cash balance is Rs. 248 crores and bank balance Rs. 456 crores.
- Moderator:** Thank you very much. The next question is from the line of Vaibhav Shah from JM financials. Please go ahead.
- Vaibhav Shah:** Sir, I wanted an update on few big-ticket projects, so for Gem & Jewellery when do we expect to start the work?
- Shobhit Uppal:** Work will be started in about 3 months' time.
- Vaibhav Shah:** And what kind of revenue are we targeting in the first year? In FY25?
- Shobhit Uppal:** In FY25, we are targeting the revenue of about Rs. 125-Rs. 150 crores.
- Vaibhav Shah:** And it should be a material number in FY26?
- Shobhit Uppal:** Yes.
- Vaibhav Shah:** And sir, this project for CSMT, so given the muted 1st Quarter and also the first two months of second quarter, what would be we will be targeting for FY25 and FY26 from there?
- Shobhit Uppal:** In FY25, we are targeting between Rs. 450-Rs. 500 crores. And in FY26, we are targeting about Rs. 1,000 crores.



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- Vaibhav Shah:** And sir, earlier you were talking about run rate of around Rs. 100 crores per month from second half. So, that is also not the case in FY26?
- Shobhit Uppal:** Yes, that will be from FY26 in this. As I mentioned earlier on in the call, virtually the entire design had to be revamped because the client had hired an international agency to do the concept and they had not taken into account the local bylaws. So, that we had to redo it totally which the client has now accepted, and work has just taken off on the ground. But rains have impacted June and July. So, as I said in H2, the progress would be substantial almost to the tune of about more than Rs. 50 crores every month. And yes, run rate to about Rs. 100 crores in FY26.
- Vaibhav Shah:** Just for this redesigning, does it impact our cost or margin of the project?
- Shobhit Uppal:** No, we have tried to optimally design the project keeping in mind the various parameters or various items that were there in the original design. If at all, some specifications are changing, for that the client will pay it as an extra item.
- Vaibhav Shah:** Sir, and the animal husbandry project, the execution was a bit softer in the 1st Quarter. So, earlier we were targeting to complete it by next year's 1st Quarter. So, now does it get delay?
- Shobhit Uppal:** Yes, we have now the almost 95% of the land because in this project already university existed. So, buy and buy they were vacating the old building, which we were dismantling and which we have to dismantle and construct new buildings, so almost 90% area has been handed over to us, so progress there also will pick up now. It has already picked up, but it will pick up substantially.
- Vaibhav Shah:** Any payment challenges from particular states given the election?
- Shobhit Uppal:** So, yes, there were challenges, but now there is movement in Bihar also. I think funds from the center have also started flowing. So, we expect, with BASU Project with veterinary projects, the funding has not been an issue till now also, but we have seen funding issues on their medical colleges and hospitals, which the feeling on the ground is that maybe in a month, month and a half time our stuck payments will start coming in and there is only about 10% of these jobs left, Chakra and Nalanda, which we should complete in this financial year.
- Vaibhav Shah:** And sir, lastly on Darbhanga and Varanasi airport, which you have won recently, when will the work start for those two?
- Shobhit Uppal:** So, both the projects, designing is happening. Our interaction of our design team with AI has started and we hope to break ground on both the projects in about two month's time.
- Moderator:** Thank you very much. The next question is from the line of Raj Shah from Marcellus Investment Managers. Please go ahead.



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- Raj Shah:** Sir, my question is regarding this labor shortage problem. As you mentioned, it is the current year problem is you have to stay. So, the question is in two parts, the first in our existing orders have at the time of bidding, we would have expected ex cost of labor cost and now it has been going up. So, how do you make up for it? And second for the new projects, how do you factor in this labor shortage issue?
- Shobhit Uppal:** It is a good question. Out of the existing projects, some projects, labor factor or labor cost is definitely going up, right has gone up. So, that has impacted our margin. Labor shortage has also impacted our margin. In the existing jobs that we have in hand as a part of our portfolio, some jobs have escalation even for labor, so which are covering these costs. But some jobs do not have this labor escalation clause. So, yes, that is what has impacted our margin. Going forward, when we are calculating our pricing or doing our pricing and submitting our bids, based on the increase that we have seen over the past one year, we are extrapolating that and building that into our prices.
- Raj Shah:** One last question was regarding this, I heard somewhere that large hospital is being redeveloped in Mumbai and we have been one of the bidders over there, can you confirm? Sion hospital Mumbai?
- Shobhit Uppal:** We are doing Phase-1 and yes, we have bid for the Phase-2 also.
- Raj Shah:** And will this be a large contract, sir, so in out of Rs. 1,000 crores?
- Shobhit Uppal:** It is a large contract, yes.
- Moderator:** Thank you very much. The next question is from the line of Rishi Kothari from Pi Square Investments. Please go ahead.
- Rishi Kothari:** I had couple of questions. First was in terms of the target that we are concentrating from public sector to private sector contract, so how much margin difference does it make to go for a public to private PAT margin?
- Shobhit Uppal:** How much margin? If all goes well, there is a difference of a couple of percentage points given today's scenario where we are seeing increased competition in the government sector and private sector, the contracts being more complex with high rise buildings coming into play with limited competition there. As things stand today, over the next one year, I feel that there should be a couple of percentage points.
- Rishi Kothari:** And we do have the technology and capability to execute complex contracts in private sector, right?



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- Shobhit Uppal:** We were already doing it. We have done it in the past. We are doing it now.
- Rishi Kothari:** And my second question is, I read somewhere in one of the industry reports that we as a company are also involved data center segment. Is it true or and if yes, what exactly are we looking at?
- Shobhit Uppal:** It is true, we are doing data centers. Adani, Google, RBI, some of the larger data centers in the country, we are doing. But I mentioned in my last call that this is not a focus area for us.
- Rishi Kothari:** So, that is not a focus area eventually also?
- Shobhit Uppal:** Not really, it takes up a lot of bandwidth. We feel that the margins are not commensurate that we focus or develop this segment especially. Having said that, one-off or the other data center, we will continue to do if it comes our way, but it is not a focus segment for us.
- Rishi Kothari:** And in terms of the private segment we are on the position of what around 40%-50% in between. So, what is the target of getting that private sector more increase from public sector contract? So, any target that we have in mind?
- Shobhit Uppal:** In the long run 50-50.
- Moderator:** Thank you very much. The next question will be from the line of Uttam Kumar Simal from Axis Securities. Please go ahead.
- Uttam Kumar Simal:** Sir, what is the fixed price contract in our current order book currently?
- Satbeer Singh:** 24%.
- Uttam Kumar Simal:** And sir, given this order book of Rs. 13,000 crore, this includes the current Rs. 4,900 for that we have owned, this is separate from that?
- Shobhit Uppal:** No. So, this Rs. 13,000 odd crores is still 30th of June. So, if you were to add these jobs of Rs. 2,200 crores which have come after that, our total order book will be about Rs. 15,500 crores.
- Uttam Kumar Simal:** And sir, any L1 currently where you are in terms of bidding and all, any L1 order?
- Shobhit Uppal:** No, because the bid which has been bumped in over the last couple of months, these are primarily private sector bids.
- Uttam Kumar Simal:** And sir, all these buildings have been done in the range of, EBITDA margin in the range of 11%-12% or less than the new orders that you are bidding for?



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- Shobhit Uppal:** Yes, the last 3-4 months, the EBITDA margin, that is what the target is.
- Moderator:** Thank you very much. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, I had three questions. Sir, the first question was, when I look at our order backlog today, we have two very large orders in order backlog exceeding Rs. 2,000 crores each. Would you say I want a conscious decision to kind of try and scale up an average project size so as to try and consolidate number of size and also to address this labor issue that you spoke about because you won't be required to spread too thin across number of sites, so does any of these opportunities available when you went and paid for these or am I all the conscious decision to consolidate number of sites?
- Shobhit Uppal:** We want to consolidate. We want the average ticket size to go up. And this has been a conscious decision and we have been kind of building towards it over the last 4-5 years. We have built in in-house capabilities that an EPC company has to have or should have. We have different disciplines where we have developed expertise other than core and shell also and that has led us to being able to qualify for larger jobs both in the government and the private sector. So, yes, it has been a conscious decision.
- Prem Khurana:** Sir, in terms of finding the risk profile, so how do you differentiate between, let us say smaller order, multiple orders wherein even if one site stops, I mean you still have 3-4 sites still continuing and giving you some numbers. So, do you tend to build higher contingencies when you get to have these sort of larger size projects and also because of the fact theoretically, at least the competition also should be lower for this sort of larger projects?
- Shobhit Uppal:** So, there are a few factors that we focus in when we bid for a job aggressively or otherwise if you were to track growth of our company's geographical footprint, you would see that it has been a bit of an organic planned growth and we have tried to hedge our risks precisely by doing what you said, having multiple projects in a particular geographical location, right, so that is how in each of the states that we are working in, 17 states that we are working in, we have multiple projects and if I were to give you an example of, say, even Haryana or Gurgaon or NCR within a radius of about 15 to 20 kilometers, we would be doing nearly 20 million square feet. So, obviously the overheads can be spread, the cost can be reduced. So, it is a conscious decision, yes and there are a few steps that we take to bring them up.
- Prem Khurana:** Any thoughts on distribution to shareholders, we have Rs. 700 crores plus sort of cash balance on our balance sheet and our operations continue to generate positive OCF which essentially would keep on generating more funds, any thoughts on, do we have any number in mind wherein



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if the cash balance was to cross that number, you would start distributing? I know we always are giving out dividends, but then the number is still very small?

Shobhit Uppal: Yes, you know I explained last time that the company to build up its inherent capabilities is spending money by way of increased mechanization. Also we have undertaken digital transformation exercise, one part of which is implementing SAP along with certain other IT initiative. So, all this will entail in expenditure. We are trying to make the company ready for a quantum jump, right. So, we would continue to be a dividend paying company. We haven't thought beyond that as far as distributing funds to the shareholders is concerned.

Prem Khurana: And Satbeer sir, how much are we planning to spend towards CAPEX this year and how much is already spent in Q1?

Satbeer Singh: CAPEX is Rs. 54 crores.

Prem Khurana: How much more are we planning to spend this year, sir, Rs. 54 crores what you already spend right in Q1?

Shobhit Uppal: In addition to this, we would be spending about Rs. 120 crores.

Prem Khurana: And just one last small clarification, we were supposed to receive some money from Emaar towards that settlement in the month of August, so has that money come or it is?

Shobhit Uppal: That date is 31st of August, so I am not in a position to comment, but yes, it is a signed and sealed agreement.

Moderator: Thank you very much. Next question will be from the line of Mr. Sunny Roy who is an Individual Investor. Please go ahead.

Sunny Roy: I was just seeing your unexecuted order book and the contribution from the hotels is only about 1.5% or Rs. 195 crores. So, is it this a conscious decision, not to focus on this hotel sector much or it is just like that?

Shobhit Uppal: It is because what the hoteliers are doing, the size of the projects that are coming doesn't excite us. Secondly, the hoteliers are cannibalizing these projects. So, it all comes down to scale. We feel that it takes up a lot of bandwidth, so we are not looking at this segment very favorably.

Sunny Roy: And sir lastly, given the buoyancy in the residential real estate market, don't you think this 13.7% in the residential market is when we can go much higher or you want to keep it like around this only under less than 15%?



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- Shobhit Uppal:** No, it will go up. It will cross 20%. As I said, the private sector, the share of the total pie will also go up to about 50%. That is what we are targeting and hoping to maintain an equal balance between private and public. So, yes, today the focus is on residential and commercial. So, yes, this will also go up.
- Moderator:** Thank you very much. The next question is from the line of Ketan Jain from Aventus Spark. Please go ahead.
- Ketan Jain:** Sir, my question is on working capital, with big ticket size bids going forward which will come, are you looking at any working capital issues or how are you planning for working capital?
- Shobhit Uppal:** No, we are not looking at. I don't think there is going to be any working capital issues. As I said we now focus more on the private sector. So, with the demand and RERA coming into play, some of the developers that we are working with blue chip developers, cash flows don't seem to be an issue and I think all the projects that we have taken on and are bidding for, they would need, as per RERA they would have to be handed over in about 3 to 3-1/2 years. So, there is a robust demand for these residential units or commercial units? So, I don't see a working capital issue plus the reserves are healthy. So, we are focused on not sort of, it is virtually a 0 debt company, whatever debt is there, little debt is there, we are focused on reducing it, not increasing it if that answers your question.
- Moderator:** Thank you very much. The next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.
- Vaibhav Shah:** Sir, you have indicated that the CAPEX would be around Rs. 175 crores for the entire year FY25. So, this should further grow in 2025, or it may come down given the sharp growth in FY25?
- Shobhit Uppal:** In FY26, it will come down.
- Vaibhav Shah:** Any ballpark number, around Rs. 120-Rs. 130 odd crores?
- Shobhit Uppal:** So, it should be. Earlier on, I projected about Rs. 125 crores yearly. So, it should be in that ballpark for FY26.
- Vaibhav Shah:** And sir, secondly, out of a mobile advance of around Rs. 540 odd crores, what would be the interest bearing portion of it?
- Satbeer Singh:** 54%.
- Moderator:** Thank you very much. The next question will be from the line of Parikshit from HDFC Securities. Please go ahead.



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- Parikshit:** My first question is on this gems and jewelry project. So, I just wanted to understand who is funding this project and is the financial project achieved in this project?
- Shobhit Uppal:** So, this is on the lines of the Bharat Diamond Balls, the BDB project. It is a conglomerate of the gems and jewelry people, I think Vikas is connected on the line. Vikas, would you like to take this question?
- Parikshit:** Sir, my question was who is funding the gems and jewelry part, because in the past we have seen BDB has faced challenges because the project was funded by selling the real estate shops and other things to the association members?
- Vikas Ahluwalia:** No, this is an autonomous body under the Ministry of Economic Affairs. And the project is funded by a group of wealthy jewelers in India basically based out of Gujarat and some of them are from South. And there is some portion of equity with the Government of India also and the state government is also participating. So, it is an autonomous body, but it has a board. So, there is a board member from the state, there is a board member from the center and rest is.
- Parikshit:** So, it does not involve like the money coming in is not contingent to the sales of the units in this market?
- Vikas Ahluwalia:** No.
- Parikshit:** Irrespective of that, you will keep getting your payments like typically.
- Vikas Ahluwalia:** No, it is dependent on the board how much board pays us and by some things like that.
- Parikshit:** Sir, my second question is on the southern markets again, which I keep asking every time. So, we are not seeing any significant ramp up in that market in terms of private orders, so what is the thought process right now? Because you did allude that the RERA is now there in place and looking to ramp up. So, how do we see the pickup happening in the southern markets in terms of new order flow coming in?
- Shobhit Uppal:** So, we have recently bagged a contract from Birla Realty. It is the company of the Kumar Mangalam Birla. We have a couple of private bids which have gone out. I would not name the developers, not like to name them, so we are slowly growing in the southern market. Also our focus areas are Bangalore where we have a regional office and Hyderabad.
- Parikshit:** Because the issue is that since I tracked that sector, so what I hear from the entire supply chain or developers that they want someone who will stick around. So, in terms of business development, what kind of commitments you are giving and more of a long term presence in



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South now because you are making a comeback, it used to be there in the past, so how much confident the developed community will stay here for long term?

Shobhit Uppal:

So, that is reflected by the order win that we have got now, Birla. Birla has a significant presence there. They have acquired large tracts of land and it is one of the few corporatized real estate development company and we have obviously in the private sector, they invite you to bid, so we are bidding for three or four other large players there. We have also bid for a couple of private sector hospital projects, large projects, but from our end, we also don't want to grow indiscriminately given our experience there. The last time that we were around, we feel that it is better to take a cautious approach more so, when our belly is full, more so when we have a healthy order book.

Parikshit:

Question on the margin. So, in every quarter we talk about double digit and some of the other factors impact us performance this quarter, there was I think one-off plus most of other reasons which you gave and you also said that new orders are better margins, the competitive intensity is reducing, which is still not reflecting in margins. We used to historically 12 to 13, we are now on high single digit and we have been like every quarter the margins have been very volatile and even in this year you said that maybe you will end up with close to about double digit margins and next year 11%. So, what gives you confidence that worst is behind and then either in terms of pricing, in terms of execution, so when do you think you will be confident that you can say now we are there and now probably these are the bottom margins?

Shobhit Uppal:

So, our healthy order book, this will start reflecting in increased margins and this is not something I am saying now. I said it since during the last concall also that H2 traditionally, both the margins, the turnover, the topline as well as margin is always higher. And I had predicted what if everybody had said elections are going to impact both the productivity and the margins that is what happened. Monsoons have also impacted our production in the last couple of months. CSMT I mentioned the reason if you were there on the call earlier.

Parikshit:

Yes.

Shobhit Uppal:

So, all this now seems in the second-half of this financial year, we should have put this behind us. Labor while the position on the ground is improving, it is always better in H2, but that will continue to be a bit of an issue in terms of because there is a skill shortage, right, but now that is something which the entire ecosystem is aware. What the contractors have been saying for the last couple of years that this is an epidemic waiting to happen now while we struggle with labor on the ground. This is something which the developers and the clients have realized. The government is also beginning to realize, so the ecosystem, all the constituents are coming together to try and work together to mitigate this problem by standardizing design, by the clients



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also, especially in the private sector, agreeing to compensate for escalation. So, all this will we feel yield results going forward, but labor shortage is here to stay. Let me qualify that.

Parikshit: Sir, just last question, I think you mentioned about some NCLT you have taken a couple of plants to NCLT and I think you mentioned about Rs. 7.2 crores of oneoff, but what does it need? Rs. 7.2 is the number?

Shobhit Uppal: Rs. 6.2.

Parikshit: So, what is the nature of this NCLT? Any more negative surprises to come in from one off, so the rest of the other book or you have provided everything now?

Shobhit Uppal: Look, we can't really say what happens is that if out of the blue client is taken to NCLT, right. I had mentioned in my last call also that there should not be any more surprises, but this is a surprise if there are certain clients who we feel are going to pay off, but if one or the other of their creditors takes them to court or takes them to NCLT, then we have to put this in our, make a provision in our balance sheet. Some of them, in the long run, we still feel will honor their commitments, but we have to make provisions.

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

Ketan Jain: Sir, just one follow up question, the MR receivables which you receive in FY25, will it be booked as other income or how it will be recognized?

Management: That regarding Emaar, you are asking about?

Ketan Jain: Yes.

Management: That has all in exceptional gain that has been recognized in financial year 24.

Ketan Jain: So, there are no other additional items to be recognized in FY25?

Management: Now, at present, basically that amount is Rs. 124 crore is reflecting in outstanding. That is including debtors basically.

Moderator: Thank you very much. The next question is from the line of Gaurav Gandhi from Glorytail Capital Management. Please go ahead.

Gaurav Gandhi: Sir, the government's efforts are towards Make in India developed country. So, there will be lot of state-of-the-art construction buildings or structures will be on focus to build. How big do you



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think this opportunity will be because there is a lot of work to be done for modernizing the infrastructure, so can you share your thoughts about this and I understand that we are taking a major growth approach, but if conditions warrant more growth, are we looking for higher order inflows than currently projected?

Shobhit Uppal:

So, I will not be able to give a specific answer. I will give you a couple of general replies. Yes, buildings are becoming more complex. Based on our expertise of having delivered large building projects and continuing to deliver projects, we feel we are in a unique position to handle such projects. So, like say for instance, we have done high rise buildings in Mumbai, now you see every other launch in NCR, in Gurgaon, especially ours is a project which is in excess of 40-45 storey. So, with our experience of having executed these jobs, we are continuing to build on this experience. We are continuing to take on more mechanization and as I mentioned earlier, the digital tools that are available to us wherein we can go to the client and offer an entire bouquet of services. We are doing that. So, yes, we are in a unique position and we continue to develop our company to be able to handle more and more complex jobs. Does that make sense? Have I answered your question?

Gaurav Gandhi:

Yes, the second part was if the conditions warrant for more growth, are we looking for higher order inflows than currently projected? We are just more Rs. 3,000 crores orders you are expecting during the year. So, if conditions warrant for more order, let us say, Rs. 7,000-Rs. 8,000 crore do we have capacity or are we looking for such kind of things then?

Shobhit Uppal:

At the moment, we are proceeding with the degree of caution, especially keeping in mind that we have a healthy order book. We feel that all the efforts that the various constituents are making of this ecosystem to overcome the labor issue, but it will still take some time. So, we are proceeding cautiously.

Gaurav Gandhi:

And just for clarity, do you think this India Jewellery Park project in Mumbai is politically sensitive project? Do you see any possibility of slow execution if the state government changes?

Shobhit Uppal:

Mr. Vikas Ahluwalia will answer this question.

Vikas Ahluwalia:

No, this is not a political quest. This is not a per se political driven project. It has really no influence of politics on it. Like I said, it is an autonomous body, and largely the members of this body are private.

Gaurav Gandhi:

I think one of the Deputy CM's post this project a lot. So, that is why I was asking that if slow execution in the government changes, but that is fine.

Vikas Ahluwalia:

That is because this project is scheduled to create at least 40,000 jobs in the area or maybe more so, that is why they must be doing that.



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Moderator: Thank you very much. The next question is from the line of Parvez Kazi, who is an Individual Investor. Please go ahead.

Parvez Kazi: Sorry, I joined the call a little late, so please pardon me if you have answered this question. Earlier, we had alluded to facing payment issues in some of these states like Bihar etc., now after the election, what is our thought process about taking state government funded projects, whether in Bihar or in other states?

Shobhit Uppal: So, our thought process continues to be the same Parvez, we had this interaction before. We are very off states which are at loggerheads with the center and are cash strapped. That is why we do not have any new government projects in Bengal. Bihar, the project, we were waiting and watching, now with the same government being there at the center and being a part of the state government, the fund position seems to be improving. So, while over the last one year or so we had not bid very aggressively which in fact not bid at all state government projects there, but we are open now. So, we see the position improving in Bihar. Assam has been a focus state for us. We have projects in excess of about Rs. 2,000 crores and the fund position there also seems to be okay since both at the state and the center, the same government is there, so it is pretty much the same policy that we are taking forward.

Parvez Kazi: And your views about bidding for projects in Andhra, especially the Amravati capital city?

Shobhit Uppal: Not a focus for us. I did mention to one of the participants who had asked this earlier as to what our approach down South here, we are more focused on the private sector there. That also we aim to grow cautiously, our past experience being what it was last time around. Government projects down South are not a focus area.

Parvez Kazi: And beyond the near term issues on the margin, labor availability front over the medium term, let us say FY206 and FY27, where do we expect our EBITDA margins fully?

Shobhit Uppal: Double digit.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. I now have the conference over to the management for closing remarks.

Shobhit Uppal: Thank you everybody for participating. Whatever questions, the follow up questions are there, we will be willing to take them or you can write to us. Thank you so much and talk to you again for the next quarter. Thank you. Bye.

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