



**“ITD Cementation India Limited  
Q3 FY 2022 Earnings Conference Call”**

**February 14, 2022**



**ANALYST:**

**MR. ANSHUMAN ASHIT - ICICI SECURITIES LIMITED**

**MANAGEMENT:**

**MR. JAYANTA BASU, MANAGING DIRECTOR - ITD Cementation India Limited**

**MR. PRASAD PATWARDHAN, CFO - ITD Cementation India Limited**

**Moderator:**

Ladies and gentlemen, good day, and welcome to ITD Cementation India Limited Q3 FY '22 post results conference Call hosted by ICICI Securities Limited.

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 the 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. Anshuman Ashit from ICICI Securities Limited. Thank you, and over to you, sir.

**Anshuman Ashit:** Thank you, Lizann. Ladies and gentlemen, good day, and welcome to the Q3 FY'22 post results conference Call of ITD Cementation India Limited.

Today, we are pleased to host the senior management of the company represented by Mr. Jayanta Basu, Managing Director and Mr. Prasad Patwardhan, CFO. The call will begin with a brief introduction by the Company, after which we will open the floor for the Q&A session.

Thank you, sir. I now hand over the call to Mr. Patwardhan for his opening remarks. Thank you, and over to you, sir.

**Prasad Patwardhan:** Thank you, Anshuman. Good afternoon, everyone, and thank you for joining us on our Q3 'FY22 earnings call. I will brief you on the financial performance of the company, and then I will hand over to our MD, Mr. Basu, for his initial comments on the operating performance.

In the quarter ending December '21, we have had a very robust top line growth amid very challenging market conditions. The company is on track to achieve 15% to 20% top line growth that we had indicated at the beginning of the year. The real good news during this quarter and up to the end of the quarter is on the new orders that we have secured. In the month of January, we have secured new orders of nearly INR 5,000 crore and including these orders our order book today stands at nearly INR 16,000 crore.

Now coming to the operational performance in the quarter ending December '21. On a consolidated basis for the quarter, we have reported total operating income of nearly INR 1,000 crore, which is an increase of about 26% on a Y-on-Y basis. The EBITDA is at about INR 87 crore, and EBITDA margin is about 8.7%. PAT for the quarter is INR 20 crore. Overall, for the nine months ending December '21, we have reported top line of INR 2,635 crore, which is a 51% increase on a year-on-year basis. EBITDA margin is at INR 245 crore, and margins have come in at about 9.3%.

We have seen a little bit of impact on our EBITDA margins largely on account of the increase in commodity prices that we have seen. PAT for the 9-month period is at INR 53 crore as against a loss of INR 37

crore last year. So overall, we have a satisfactory performance in the quarter.

I will now hand over to Mr. Basu for his initial comments, and then we will take your questions.

**Jayanta Basu:**

Thank you Prasad and good evening to all. Thanks for joining this concall. I would like to brief you about the operating performance for the third quarter.

As Prasad has indicated, the progress during third quarter have been good and we have achieved almost INR 1,000 crore of revenue in this quarter. And if you see, the YTD revenue is around INR 2,600 crore in nine months, which is almost equal to last year's entire revenue.

As Prasad has also mentioned that our EBITDA and profit margin has been a little less compared to last quarter. The reason behind this is that, one is commodity price, which is known to everybody, the steel price, which was three months back INR 50,000 to INR 55,000 has gone up to INR 65,000.

Secondly, that extended monsoon in Southern India. Many of our jobs we are doing is in Southern part of India like marine jobs in Udangudi, Pamban bridge and Metro jobs in Bangalore Metro, Vizhinjam Port, so there is some impact of the extended monsoon in South India, which has impacted our performance a bit.

Third, which I've touched last time as well, many of the jobs we have just started and the list is quite long. As you can see that Dream City Surat Metro, Sikkim University, LNG terminal at Ennore for IOCL, Aerospace Museum at Palam, New Delhi, one job in Sea Bird Karwar for infrastructure development, marine job in Sea Bird, Karwar, etc we are not able to declare the margin as the threshold limit of 10% hasn't been achieved.

So I think all these things will unleash in next quarter and probably margins will be better.

Coming to the prospects, I think our work in hand is quite healthy. It was INR 11,000 crore last quarter, now it is almost INR 16,000 crore, which is a record in the history of our company. And so far in this year, we have secured more than INR 7,500 crore work in nine months' time. As we have mentioned last time, even now also I maintained, INR 20,000 crore of jobs are still in pipeline and we hope that some of them will be converted to orders.

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The future is good and with the job in hand we have, we should do better in next quarter and coming days in next year.

With this, I would also like to touch, as usual, some projects which are key projects to us as far as progress is concerned. Mumbai Metro, we have already achieved around 86% of progress. Hopefully, by the end of this year the job will be completed. Kolkata Metro is almost done with 96% progress. Bangalore Metro, the new underground job we have commenced and already 20% progress achieved, Udangudi project is around 55% completed. Sea Bird marine job at Karwar has just started and around 6% progress we have achieved. Trichy and Pune airport is around 50% and 38% completed respectively.

One information I would like to say here is that Myanmar job, one of the overseas project we are doing, there is some reduction in the scope of work. So I think by April or May the job will be completed. There is some reduction of scope by the client because of their business reasons.

I think that's all from my side as far as operating brief is concerned. Now we welcome to address any questions. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question and answer session. Anyone wishing to ask a question may please press '\*' and '1' on your touchtone telephone. If you wish to remove yourself from the question queue, you may press '\*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Mohit from DAM Capital. Please go ahead.

**Mohit Kumar:**

Yes, good afternoon, and congratulations on a decent set of numbers. My first question is, what is the average life of the order book? And what is the kind of growth possible in the FY '23 and FY '24 based on the time lines?

**Jayanta Basu:**

On an average, I think it is around 3 to 3.5 years for the large projects and definitely, with the order book that we have, we can expect a growth of around 20% plus in the coming years or coming quarters.

**Mohit Kumar:**

And sir, can we expect the EBITDA margin to move back to a lower double-digit. We've been struggling with single digit for a very long

time? Can I expect it to move based on the order book and the knowledge we have of the inflation; can you expect it to move back to 11% in FY23?

**Jayanta Basu:** Yes, it will go to double digit maybe from second quarter of next year. As I have explained that, all the companies are suffering because of increased commodity price. Though last time I have mentioned that part of them has been covered by escalation, but now the commodity prices are still going upward and there is no downward trend which has impacted the margins. If you see the material price of any contract is around more than 50%.

But, we hope that new contracts will not be effected as we have taken care of this inflation of material price while submitted bid, so next year, it will be better.

**Mohit Kumar:** And sir, given the fact that we have a large order book, do we have an appetite to keep taking orders for the next sort in Q4 and FY '22? Or do you want to wait for some time? And can you just please elaborate on the ordering opportunity outlook for the next fiscal?

**Jayanta Basu:** Well, we will keep on pursuing the niche area of marine and some underground job. Airport, marine and of course underground metro, we'll keep on pursuing. In road sector, Ganga Expressway from Adani are also under our radar.

**Prasad Patwardhan:** Just to add further, some of our larger projects will get completed or will be nearing completion in the next year or so. Projects like Bangalore Metro elevated, underground metro in Kolkata and in Mumbai. So that will free up a lot of resources which we can deploy on the newer projects that we have won or we will bid for in the future.

**Mohit Kumar:** Understood. Is there a reason for us to going back to the road sector?

**Jayanta Basu:** Well, the main reason in road sector, as why we were not interested is because most of the time, we found that the Right Of Way are not available and tight contract conditions. Recently, Adani Group has secured a large contract in Uttar Pradesh and considering our long relationship with this Group and this being a totally greenfield road project we are keen to participate.

**Mohit Kumar:** Understood, sir. Thank you and best of luck. Thank you.

**Moderator:** Thank you. Reminder to the participants, anyone wishing to ask a question may please press '\*' and '1'.

The next question is from the line of Vibhor Singhal from Philip Capital. Please go ahead.

**Vibhor Singhal:** Hi. Good evening, sir. Thanks for taking my question, and congrats on great execution and ordering in the month of January. Sir, my question was just to basically understand right now with almost INR 4,800 crore of order in January and the order book at almost INR 16,000 crore provides a very good revenue visibility. You listed on opportunities that we are chasing right now, but with this kind of order book, do you think we would be more selective in taking orders? And when we go for orders which are of course above our threshold rate and all. So do you think, there will be change in strategy or we will probably continue with the same strategy as we were doing before?

**Jayanta Basu:** Strategy is a function of situation. So if we have now around INR 16,000 crore of odd orders, naturally our strategy will vary accordingly. But, as I just mentioned that the area of marine and underground metro and some other projects, which we feel will definitely be pursued by us. And if we can see that major resources are getting released from previous projects and the new job value is big, we will definitely pursue that new job, but we will be little bit selective quite naturally.

**Vibhor Singhal:** Got it, sir. And, as you mentioned that base the raw material cost is also impacting the margins. Would you be able to give a broad breakup as to how much of our order book will have fixed price contracts in which we have to bear the entire raw material cost?

**Jayanta Basu:** Well, all the government projects, what we have secured right now like Chennai Metro, Indian Oil Corporation at Ennore, where escalation clauses are available, so it is protected. But private jobs like airport at Ahmedabad or some job from Adani in marine sector, there we have to built up the escalation costs at price to cover the possible inflation or cost impact. So, I would say around 60% government projects are covered by escalation clause and balance we have built in our cost estimates.

**Vibhor Singhal:** Okay. Sir, if I remember correctly, sir, our order book breakup is that we have only 10% private, around 45% is from government or public sector undertakings. So if 40% of the order book is exposed to fixed price contracts, apart from 10% private, would the remaining 30% be

equally divided within government and PSU or is it more PSU than government?

**Jayanta Basu:** Yes, it is a mix of PSU and government. But I'd like to say that whether PSU or government or private, there are two criteria. One is that escalation is payable as per the formula. So that takes care of the escalated costs. Second is, whenever it is fixed price contract, there is a criteria, we work on a basis of star price and accordingly the escalation is adjusted.

And if we do the fixed price contract, definitely we have system in place to assess during the bidding stage and we factor the likely escalation and submit our price bids.

**Vibhor Singhal:** Right. Got it. And sir, as you mentioned that we are looking to basically explore the possibility of working with the Adani Group and build Ganga Expressway. Now, that's a huge project for INR 5,000 crore to INR 6,000 crore kind of a project. Would that also be a kind of a fixed price contract? Or would there be a different treatment in that given that we are venturing into the road segment after a long period of time?

**Jayanta Basu:** No, definitely, that will not be a fixed price contract. We have our star price model in that i.e. our price today is based on the mutually agreed unit price of essential commodities, so during course of execution, actual price increases will be adjusted by the client.

**Vibhor Singhal:** Okay. So you're saying it will not be a fixed price contract, right?

**Jayanta Basu:** It's not fixed price contract and not the escalation formula contract, it's a star price contract.

**Vibhor Singhal:** Got it, sir. I just missed out on a couple of numbers that you had mentioned, if you can please repeat them again. Just wanted to know, what percentage of work has been done on Kolkata and Bangalore Metro? And when do we expect them to be completed?

**Jayanta Basu:** Kolkata Metro is 96% plus work has been completed. I think it will be another eight to nine months' time when the entire work will be completed. As you know that tunneling has been done a long time back, and we are in the process of retrieving this TBM. However, finishing work takes some more time because we have got electromechanical and various other interface activities, depends up on various vendors.

As per client, part of the metro will run in another one or two months' time. We expect the balance work to be completed by another eight to nine months.

And when you say Bangalore Metro you are asking about elevated one or underground one?

- Vibhor Singhal:** Sir both?
- Jayanta Basu:** So elevated Bangalore metro, as we have told last time out of four contracts, three we have already completed and we got the extension of time. Only one work is still going on, which may go up to end of this year for changes in designs at client's end.
- Vibhor Singhal:** End of this financial year?
- Jayanta Basu:** Yes, 2022.
- Vibhor Singhal:** Okay. By March 2022, we should be able to do it?
- Prasad Patwardhan:** No, no, not March. Calendar year '22.
- Vibhor Singhal:** Oh, calendar year 2022. Sure. And Bangalore underground, sir?
- Jayanta Basu:** In Bangalore Underground metro, work has commenced, and we have done good progress with around 20% completion so far. We expect to complete the work by end of December 2024.
- Vibhor Singhal:** Got it. Great, sir. Thank you so much for taking my questions, and wish you all the best.
- Prasad Patwardhan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Hi, sir. Congratulations on a decent number in this quarter. So my first question is, if I go back little in the history. So we used to do execution of about INR 3,000 crore on an order book of INR 6,000 crore. So now we are at INR 16,000 crore and add some more orders, we are already at INR 1,000 crore run rate from this quarter, so do you think that we can do that INR 7,000 to INR 8,000 crore order execution on this order book?



- Jayanta Basu:** You are so demanding every time.
- Parikshit Kandpal:** I'm just going by the order book.
- Jayanta Basu:** Yes, Absolutely right. Revenue has to increase every year, we have to do our total budget, and we have to come back to the number exactly. But yes, definitely, it will be more next year.
- Parikshit Kandpal:** Because 20% guidance looks to be a little on the lower side. So I was looking more like we should be averaging at about INR 1,500 crore per quarter should be base of execution from the current order book. This is broadly I was thinking in the numbers.
- Jayanta Basu:** Yes. here, there are little technical issue. If you see out of the order book, we have got INR 6,000 crore order from underground metro, INR 4,000 crore in Chennai and almost INR 2,000 crore in Bangalore Metro. Though Bangalore has started, but Chennai will take some time. As you know, the tunneling activity will take at least another one year to start. The genuine revenue starts when TBM starts working. So that factor is there. If it is not INR 1,500 crore per quarter, it will be close to that.
- Parikshit Kandpal:** So about INR 1,200 to INR 1,300 crore is what at least we can see, should be the run rate going ahead.
- Jayanta Basu:** I think it should be close to around that number. We'll work it out.
- Parikshit Kandpal:** Okay, sure. Sir, second question is you said that I think this week you have submitted that BMCT project. And so how big is this project? And if you can highlight how many bidders have, because I think this is a very highly specialized job even when we had got it long back only two, three players who could technically qualified. Could you give some sense on how many number of bidders have submitted their bids and what is the total order size?
- Jayanta Basu:** Total order size comprising three package would be close to INR 4,500 crore.
- Parikshit Kandpal:** Okay.
- Jayanta Basu:** And this is not the end because there will be one more package, which would be close to INR 1,000 crore, which is coming now. And the bidders, yes, all the bidders are there like Afcon, ourselves, local bidders but not for all packages. I hope that there is only three to four bidders i.e. Afcon, L&T, ourselves and NCC, a newcomer in this field.

But, in other packages where in material supply and ground improvement, there are some other local bidders as well.

**Parikshit Kandpal:** Okay. You said NCC is also bidding?

**Jayanta Basu:** Yes, Nagarjuna also.

**Parikshit Kandpal:** Okay. Good, sir. Good to hear that. My other question is on margins. Now we have on the employee cost side, so that we have been having under absorption of overheads given the growth was not there and now things are getting more normalized. So I see a significant room on improvement in margins may be as you said double digit, it seems to be likely profitability from second quarter of next financial year. But do you think it can go between like 10% to 15%, somewhere close to about 12% because we will get a huge operating leverage when this growth kicks up, which you mentioned earlier, INR 1,300 crore, INR 1,400 crore, in that range, if you do quarterly execution. So can we be closer to about like 12%, 13% kind of margin or it will be more like between 10% to 12%?

**Jayanta Basu:** Well, again, margin also is a function of when the job starts. The large chunk of project is TBM related job where the threshold limit is 10%. To achieve that will take some time, that is why the realization of margins in Chennai Metro two jobs will not come very soon. Otherwise, yes margins should be better than this year, at least double digits

**Parikshit Kandpal:** Okay. In addition, just lastly, any conclusion in that accident in the project site. So resettlement or any claims with the insurance company, any potential liability, which may come because I think the fourth quarter, we'll again do some CTC related measurements on cost to completion. So do you think any negative surprises that can spring up in the fourth quarter, or it's largely behind and we are on path to recovery?

**Jayanta Basu:** I'll answer your last question first. We don't expect any hit on our CTC because of that issue because whatever expenses we have to incur, already we have incurred and booked, and there is no further surprise in this because it has been done and taken care a long time back.

So coming to the insurance, yes, they have certified certain amounts from third party. So we are working with the insurance company, but definitely they have certified some amount and it will be paid to us very soon. That is only for the third party. Issues related to CAR

insurance policy are in discussion and we are working closely with the insurance company.

**Parikshit Kandpal:** Okay. But sir, largely on the entire order book, which is right now, so do you see any more negative surprises can come in terms of CTC provision for the CTC provision requirement or it's largely we have everything provided and no surprises can sprung up in the fourth quarter?

**Jayanta Basu:** See, as you know very well that Bangalore elevated Metro has affected us in our performance in the past. And the new projects that we have secured, we are very conscious about that and done robust tender analysis on the risk matrix and secured these projects.

**Parikshit Kandpal:** Great, sir. Great to hear that. And just one last thing for Prasad. So Prasad, this claim thing, I know you're still settling it out, but do you think that there's a potential reversal in any provision which you made up earlier than it, which may add to the overall profitability, if any claims come to us?

**Prasad Patwardhan:** Well, we have had some success on a few of the receivables that we had written off in earlier years. So in fact, we have seen some realization coming through in this financial year. We have entered into some sort of settlement agreements with a few of our customers where the dues were not coming through or were written-off in earlier years. So we are pursuing these matters and we are hoping that we'll see larger realizations in the next financial year.

**Parikshit Kandpal:** Okay. Because I think your Mumbai project is also coming to a closure and there could be potential reversal of liquidity, which provisioning of LDs, which we keep. So is it right to assume that maybe next year will be much better once these reversals happen since these projects are coming to a closure, and we typically been very conservative, keep some buffer there around that. So next year from the margin perspective could be really good for us?

**Prasad Patwardhan:** Well, we have been releasing the margins on some of these projects. While I won't speak about any one particular project, but generally you're right. We will see some release of margins as the project near completion and we should see that impact in the next year.

**Parikshit Kandpal:** But in this quarter, the margins were lower to 8%, but there was nothing related to any write-offs or any provisioning on any particular project trend. This was normal course of business...

- Prasad Patwardhan:** There has been no write-offs, nothing in this quarter.
- Parikshit Kandpal:** Okay, sir. Sure. Thank you Jayanta and Prasad, thanks for answering my questions. That's all from my side.
- Jayanta Basu:** Thanks, Parikshit.
- Moderator:** Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.
- Jiten Rushi:** Yes, good evening, sir. Thank you for taking my question. Sir, I just want to understand the ordering profile, the orderings has been good so far. So what kind of additional ordering can expect in the next one and half months, and probably the guidance for the next year?
- Prasad Patwardhan:** Jiten, let us first digest this order book. We had given a guidance of INR 5,000 crore, we have already received orders for INR 7,500 crore. But now you are asking us about the order inflow in the next years.
- Jiten Rushi:** But at least, as you said that we are expecting a good run rate in terms of top line. So probably we are getting exhausted with other metro projects. So we shall be looking to add more projects, because Chennai Metro is the single largest project we have, then there are other metro projects in the geographies getting over by next six months to eight months. That was the only thought in terms of how we can see revenue accretion entering FY '24? Anyway, so probably we can expect a run rate of INR 5,000 crore to INR 7,000 crore next year also, hopefully.
- Jayanta Basu:** Yes. I think Prasad had answered your question. But still, I can say that maybe another INR 1,500 crore to INR 2,000 crore order we may expect in this quarter, by the end of this month.
- Jiten Rushi:** And sir, we have seen profit from JVs falling down this quarter. I understand it could be because of revenue booking pressure or some reversal of cost. So this kind of volatility will remain going forward or how should we see this JV profits like?
- Prasad Patwardhan:** Well, there will be some element of volatility in the JV. In some of the margins that we declare, especially on these metro projects, when we have completed some part of work, we would have kept some provisions where we feel we might be exposed to some larger amount of risk and once that event is behind us, we would have released the

margins. So that is what you would have seen in the September quarter where there was a little bit of a bump as far as the margins from the JVs were concerned. And you are not seeing that in this quarter. So it is event based, and it is likely to happen whenever some such event occurs and we overcome it.

**Jiten Rushi:** Okay. So next quarter also we don't know like it's something based on the completion stage, we can see that way?

**Prasad Patwardhan:** That's correct.

**Jiten Rushi:** Sir, on the book keeping front, I would need some numbers like mobilization advance outstanding, unbilled revenue, retention money, debtors, creditors inventory, and if I would have missed on cash bank and gross debt numbers?

**Prasad Patwardhan:** Well, gross debt is INR 550 crore. Net debt is about INR 350 crore. Mobilization advances is about INR 480 crore.

**Jiten Rushi:** INR 480 crore. Okay.

**Prasad Patwardhan:** I don't have the other figures with me right now. Maybe we can share that with you off line.

**Jiten Rushi:** Okay. And sir, just one last question. So the bids which we have won recently and the bids which we are targeting to bid, so we know the competition intensity is really high. But there are a few niche projects which we are able to win like the marine projects, which have won for INR 900 crore. So what kind of margin do we carry in such projects and what kind of opportunity we see in this segment going forward, sir?

**Jayanta Basu:** Yes, marine projects opportunities are limited, but we are lucky to have most of them and we can say margin of just double digit t. And underground metro also we have so far secured three jobs, Bangalore and Chennai. So further jobs in this sector is not much, except one Kolkata Metro and Chennai metro . We expect to do better with our expertise to predict 10% to 12% margin.

**Jiten Rushi:** And sir, on the subcontracting work, which you're planning to take from Adani. So the competition also is very high for that particular project from various other regional players. But sir, then how are we placed like in terms of our experience, the margin capability, the capex? So what new capex we'll have to do something, which can you have a better margin, but the capex at net net level, probably the

earnings could come down from that particular project. So how are you planning to bid for that project?

**Jayanta Basu:** Well, the level what we have reached today, if you see, the capex is mostly required in underground metro, where one TBM will cost you around INR 50 crore to INR 60 crore, like that we have the four, five TBMs, trench cutters, etc. The job value of Adani will be INR 6,000 crore to INR 7,000 crore plus. As far as our capex requirement is concerned, it will be within manageable limits and much less than the underground Metro jobs.  
And as far as competition is concerned, it is very much there in submitting our competitive price and If we get the job, we get at our price, not other's price.

**Jiten Rushi:** So that is a fast-track job, sir? Two-year project or three-year kind?

**Jayanta Basu:** As far as Adani is concerned, it is two years' job, but then definitely it will go slightly more than that.

**Jiten Rushi:** Sir, one last question, if I can ask Prasad sir, what are the capex done so far and likely in Q4 and next year, sir?

**Prasad Patwardhan:** Capex, what we have done so far is about INR 65 crore.

**Jiten Rushi:** And any additional capex in Q4?

**Prasad Patwardhan:** Well, it may not be in Q4, but next year there will certainly be capex because for the underground Chennai Metro that we have got, we'll have to invest in acquisition of tunnel boring machines and trench cutters and some other equipment.

**Jiten Rushi:** How many new TBMs we'll required because from Mumbai Metro will be transferring it to Bangalore to Chennai, so how many new TBMs we need at Chennai Metro?

**Prasad Patwardhan:** We need one new TBM, but there is some other equipment that we may need to purchase. Of course, the pricing may not be that much as compared to a TBM, but there will be some other capex that we'll have to incur.

**Jiten Rushi:** So almost INR 100 crore capex, we can see next year probably.

**Prasad Patwardhan:** Yes, easily. Maybe a little more than that as well.

- Jiten Rushi:** More also.
- Prasad Patwardhan:** Yes.
- Jiten Rushi:** Okay sir, that's it from my side. Thank you and all the best, sir.
- Moderator:** Thank you. The next question is from the line of Pritesh Vora from Mission Holdings. Please go ahead.
- Pritesh Vora:** Sir, what are the opportunity apart from tunnel projects? What are the major areas we are present as far as order book is concerned?
- Jayanta Basu:** Okay, you are talking about order book. Apart from the Chennai Metro where we have got tunneling to be done, we have a marine job, that is at Ennore, which is close to INR 900 crore, just secured from Indian Oil Corporation. Thereafter, we have got construction of university in Gangtok that is Sikkim, close to INR 400 crore. We have also secured Ahmedabad Airport from Adani 2 jobs i.e. INR 300 crore one job and another INR 172 crore. So these are the major jobs we have just recently secured.
- Pritesh Vora:** In terms of percentage of revenue, other than the tunneling job for metro and all that, what percentage of the revenue other job will be contributing.
- Jayanta Basu:** I think Marine and tunnel job put together contributes around 60% of the revenue. Therefore, the remaining jobs like airport, building, specialized job and elevated metro and bridge will be contributing 35% to 40%.
- Pritesh Vora:** Okay. Sir, what is the operating margin? Are you not passing steel and cement price hike in your contract, and are you taking more of a fixed price contract? Because at this level of INR 1,000 crore revenue most of the contractor build in the escalation for the steel and cement going into the project. So can you elaborate on that? What made you to take the contract on fixed price basis?
- Jayanta Basu:** Yes, I think you're absolutely right. Now the contract what we are executing and revenue we are booking are all old contracts which we might have secured few years back. Some of them are fixed contracts while most of them are with the escalation formula. The amount of price hike has happened recently during the last six, seven months, none of the formula is meeting the increase in commodity pricing. Recently, the steel prices have gone from INR 45,000 to INR 65,000,

which is something beyond our control. But when we are bidding for the recent projects, we have taken care of possible escalation prices of commodities.

**Pritesh Vora:** Right. And sir, metro, what are the projects in the pipeline? And who do you generally compete with in the metro job? Is it L&T, Afcon or there are other people also?

**Jayanta Basu:** In Underground Metro, L&T, Afcon, J Kumar, Gulermak from Turkey, Tata projects, so they are the main competitor. In current bidding pipeline, there are two or three contracts in Delhi Metro, Chennai Metro and Bangalore Metro,

**Pritesh Vora:** Alright, sir. Wish you all the best, sir.

**Jayant Basu:** Thank you.

**Moderator:** Thank you. The next question is from the line of Amish Chandarana from Tata Capital Financial Services Limited. Please go ahead.

**Amish Chandarana:** Yes. Firstly, congratulations, sir, for the good results. Sir, my question to you is, out of your total works, what is the quantum of the work you give for subcontract? And what is the quantum of the work you take it in your own books? Because more you give works on subcontract may impact on your margin. Thank you, sir.

**Jayanta Basu:** Well, in the past 100% work we used to do on our own. But there are certain jobs like road, if you do, or certain earth work related work or where we have got electromechanical activities involved, you have to go for subcontracting. So today, I'll not be able to tell the exact number, but I guess around 10% to 12% job we give for subcontract.

**Amish Chandarana:** Okay sir. And this percentage will remain the same going forward considering the new works which you have undertaken or it will increase by some percentage?

**Jayanta Basu:** Yes, we are evaluating the sub contract model and hopefully going forward it will be better than what we have.

**Amish Chandarana:** Okay, sir. Thank you.

**Moderator:** Thank you. A reminder to the participants, anyone wishing to ask a question may please "\*" and '1'. The next question is from the line of Mohit from DAM Capital. Please go ahead.



- Mohit Kumar:** Yes, thanks for the opportunity once again. Sir, are there any other large opportunities for railways for tunneling, which is coming up in the next fiscal year? I think we have one, right, where last to last year, we won Sikkim one. Is there anything else on the radar?
- Jayanta Basu:** There are a lot of prospects in this verticals because as emphasized by the government of India to lay railway line across the Himalayan range, in many places and it goes upto the border. So in Rishikesh area, in Himachal Pradesh there are new railway lines where we expect scope for tunneling will come up. As our resources are currently involved in such tunneling we are focusing to complete these projects and will evaluate such opportunities at appropriate time.
- Mohit Kumar:** Understood, sir. How many TBMs do you own at this point of time? And do we need to have more TBMs for taking all these underground contracts? Or there is no need or there's little need for the extra TBMs?
- Jayanta Basu:** Well, the job we secured from Chennai Metro, we require around four TBMs. We have three TBMs from existing Mumbai metro job, which will go there. We may have to buy one new. So unless we have some more new underground job, we don't require any TBM to be purchased at this stage.
- Mohit Kumar:** So we should not expect a major capex in FY '23 and FY '24 for executing these large contracts?
- Jayanta Basu:** No, this TBM what is required in Chennai Metro. Apart from that, there is another equipment called trench cutter, which is especially required for Chennai Metro. Those are very costly also. So there will be some capex, as Prasad just mentioned.
- Mohit Kumar:** Understood, sir. Thank you and all the best. Thank you.
- Moderator:** Thank you. A reminder to the participants, anyone wishing to ask a question may please '\*' and '1'. The next question is from the line of Anshuman Ashit from ICICI Securities. Please go ahead.
- Anshuman Ashit:** Thank you, sir, for the opportunity. With the kind of order book that we have capabilities, can we expect to reach a top line of INR 5,000 crore by FY '24? And once we reach that, with the escalation clauses and the commodity price pass-through which we have incorporated in

our newly one project, can we see a margin of around 12%, 13% by that year, by FY '24?

**Jayanta Basu:** Very good question. Top line, what we have mentioned, we hope that we'll be able to achieve. As far as margin are concerned, in civil engineering construction, there are always uncertainties involved, but I think we can expect slightly more than double digits going forward.

**Anshuman Ashit:** Okay, sir. And, we'll require a higher working capital limit and bank limits for executing these orders. So can you please tell us what are the limits currently? And what are we seeking for in the next few years, in FY '23 and '24?

**Prasad Patwardhan:** See, today, we have fund-based and non-fund based limits of about INR 4,000 plus crore and we are already in discussion with our banks for further increase in the limits given the new orders that we have received. So we are pretty hopeful that our banks will come to our support and sanction the enhanced limits at the earliest.

**Anshuman Ashit:** And sir, what will be that particular limit that you will be seeking for, if we can get a ballpark?

**Prasad Patwardhan:** So as I said, I won't be able to comment on that. We have been discussion with our banks for an increase in our limits, and hopefully that should come through in the next few months. So I don't see any challenge in getting bank limits to support the projects that we are winning.

**Anshuman Ashit:** Okay sir. Sir, another question is on the high-speed rail opportunities, which are about to come up. So the ministry has started preparing the DPRs for the rest of the projects. There are several projects, which are under consideration. So sir, any view on the size of the projects which may come up for bids, and whether we will be participating in those projects given the order book that we have in hand and our execution capabilities?

**Jayanta Basu:** Well, as far as Ahmedabad, Mumbai high-speed rail, I think, there are few tunneling projects yet to come. One of them will be BKC to Thane area, which will be around INR 15,000 crore. Apart from that, most of the scope will be track laying. I will not be able to comment on that what will be the value. Regarding other high-speed rail lanes, it is too early to say. But we will definitely keep our eyes open. And if there's a good opportunity, we'll try to pursue.

- Anshuman Ashit:** Okay. But sir, going forward, are we building our capabilities more towards metros and high-speed rails versus the rest of the areas? Is it so?
- Jayanta Basu:** Well, our capability in underground metro is already established, and that is being demonstrated through Kolkata Metro, Mumbai Metro, before that, Delhi Metro, now Chennai Metro and Bangalore Metro. So, yes we rely on our ability in underground metro.
- And high-speed rail is a specialized job, if you come to the track laying and few opportunities have been very competitive and we are awaiting for any possible bids to be available to evaluate in this HSR projects.
- Anshuman Ashit:** Sir, could you give us the margin at which those projects were awarded? Will it be possible?
- Jayanta Basu:** See, construction industry market is very cyclical in nature and difficult to predict.
- Anshuman Ashit:** Okay. Thank you so much, sir, for answering my questions.
- Moderator:** Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to the Management for the closing comments.
- Prasad Patwardhan:** Thank you, Anshuman, for hosting our call. And I would like to thank all the investors for their continued interest and support to our company. We look forward to interacting with you again next quarter. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.