



“ITD Cementation India Limited
General Business Update Conference Call”

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MODERATOR: MR. PRANAY MEHTA – HDFC SECURITIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the General Business update conference call. 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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranay Mehta. Thank you and over to you sir.

Pranay Mehta: Good afternoon, ladies and gentlemen. We thank ITD Cementation for giving us the chance to host this call. Without much ado, I pass on the phone to the management. From the management side, we have Mr. Jayanta Basu, MD and Mr. Prasad Patwardhan, CFO of ITD Cementation.

Prasad Patwardhan: Good afternoon everyone and thank you for joining us on this business update concall at short notice. My name is Prasad Patwardhan and I would like to update you on some of the developments during the quarter. We will start with the order book position and the new order wins during the quarter and as you are all aware there has been an incident in our Kolkata metro project. We will give you a brief update on that project as well and then we will take your questions.

We started the quarter or rather we ended the June quarter with an order book of about 10,100 crores. During this quarter to date, we have already received fresh orders, worth about 1900 crores. This includes one order from Central Public Works Department, New Delhi for about 1100 crores and couple of other tunnelling orders which have been awarded to us by IRCON worth about 900 crores. In addition to that, we are L1 on one micro-tunnelling project in Mumbai city worth about 240 crores. Our order book taking into account all these orders is about 12,000 crores comprising of urban infra which contributes about 31% of our order book, marine segment which contributes about 27%, the hydro and tunnelling part which contribute about 22% of our order book. Airports which are Pune and Trichy airport projects which are under execution are about 7% and the building project which I mentioned just now is about 9% of our order book. That is as far as the new order wins and the order book position is concerned. I will now hand over to our MD, Mr. Basu who will update you on the business prospects and on the Kolkata metro project as well.

Jayanta Basu: Thank you Prasad. Good afternoon. This is Jayanta Basu. I will first highlight on immediate prospects. The first one is Bangalore metro underground package, we will know the result very soon. In marine segment there are couple of overseas prospects like, for Adani group at Myanmar and another prospect at Sri Lanka. Otherwise in India, two packages for Sea Bird, Defence project. In MRTS, for National Region Rail Corridor, New Delhi to Meerut.. In addition high speed rail, BMCT Phase II, couple of drill and blast tunnel projects, DMRC Phase IV are in the pipeline. Considering the order book of 12,000 crores today and some L1 positions and having some jobs under Tender the prospects are very good.

Coming to the operations, I think natural question from your side will be what is happening at Kolkata metro. I would like to highlight few points from that. First of all, I must say that things are under much control today. I am very much involved in this project since the incident has happened on 31st of August. One of the TBMs while drilling hit an Aquifer, and there had been water ingress in the TBM and recharging of water was very high, so with that some subsidence that is the settlement at top layer happened and some buildings got cracked, some got severely damaged and as a result of that we had to stop work, but it is not that we have stopped the entire work, in UG-2 package, Kolkata Metro we are also doing station buildings and other activities. Apart from TBM activity, other activities are progressing. One good thing about the whole issue is that we could evacuate the people who were likely to get affected and we have taken abundant precaution and have evacuated around 700 people, took them to a safe location and put them in hotels and rented flats and we are looking after them very well. There is good response and support from the local government as well as Central Government. There is no injury and another good thing is that people have already started coming back to their homes. If you see, around 70 buildings we have evacuated and so far 16 buildings are declared as safe and 29 buildings may require to be dismantled, and for remaining 25 buildings out of 70, we are still investigating the status of these buildings. Till this morning around 100 people have come back and another 100 people are likely to come back soon. So this is the general scenario of the Kolkata metro now and I think there will be lot of questions, so I will leave it to you to ask any questions in this regard or general business prospects. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: Sir, my question is of course on the Kolkata metro project again. So basically sir, what we have learnt from various news articles and please correct me if I am wrong anywhere, is that basically now that the TBM has hit the Aquifer and with the water ingress and other sediments coming into the TBM, the TBM has stopped functioning, so as you said that the TBM has stopped work and we are carrying on with the non-TBM works and trying to rehabilitate the people, let us say we are done with the rehabilitation of the people and everything is again back to normal, what is going to be the future course of action for us in terms of our tunnelling activity? so the TBM that we have right now, is it functioning, can it be started again or does it have to be lifted out and another TBM has to be basically put inside from a different location? Can the TBM be lifted out? Is it in such a shape, if at all so basically an update on what happens to the TBM and the tunnelling part of the project?

Jayanta Basu: See, we have discussed, brain stormed and today, we are quite clear on what method and sequence to be followed for the remaining portion of tunnels and how to complete the Job. To make it more specific, we are using there 2 TBMs side by side, parallel TBMs. TBM1 and TBM2. The problem we faced with the TBM1 which is around 250 meter ahead of TBM2.

The idea is, we have to reach to Sealdah station which is another 4 to 5 months job. Had there been no problem, we could have completed the tunnel work by another 5 months time. So now, general idea is continue with TBM2, go to the Sealdah station and put the TBM2 in the track of TBM1, comeback from other side and complete the tunnel. This is the general idea. That means we don't have to mobilise the second TBM. TBM1 we don't know the status, it may require major repair or whatever, so by the time TBM2 comes to this place, we will be removing TBM1 from the position and we will see what has happened or how that can be used in future. So this is in general we are thinking to complete the project.

Vibhor Singhal:

Sir, basically do you believe, as you said that had there been no incident we would have reached the Sealdah station in 3 to 5 months, so let us say our cost would have been x crores in reaching the Sealdah station in the way that we were progressing. Now that you are looking at using TBM2 and then turning it around and then going back to this part and then we will probably need to sidestep the Aquifer part of the location also, do you see any escalation in cost or slightly cost overrun and because of this thing and if at all, is it there in the contract that we can charge it to the client or will it have to be borne by us?

Jayanta Basu:

Look, once we start the TBM activity, the operation cost of TBM, in machine months will not increase. If we have two machines and use for 3 months, you use for 6 machine months. Now probably we will use one machine for 6 months or 6 machine months, so generally speaking operation cost of TBM will not increase but however, there will be some additional cost because of this incident and such costs are covered under insurances. We have already started speaking with insurance officials and series of meetings are already happening and there are some meetings proposed for next month. We have Contractors All Risk policy covered jointly with KMRCL. There are third party liability cover, TBM itself is covered under separate insurance in addition to plant and machinery policy. Moreover, in such high risk jobs, any prudent company like us provide some contingency in their budget so I don't see we will be hit by any additional cost which may come, we should be able to manage it.

Vibhor Singhal:

So sir, if I am getting it right, you believe that there will be some cost overruns from extra expenses but that we will be able to recover it from the insurance companies?

Jayanta Basu:

Yes insurance companies and to some extent from internal contingency provision.

Vibhor Singhal:

But at no point of time, will any of these expenses or cost overruns be owned by the client which is Kolkata metro, they will not pay anything extra than what they have promised to do, right?

Jayanta Basu:

I don't know, we have to see that aspect, but we will certainly require extension of time of the project, Originally, we could have completed the project by 2021 February or March but now it will get little bit extended from there due to this unforeseeable situation.

Vibhor Singhal: Sir, just last question from my side, we have been reading newspaper articles that cost escalation because of this incident could be 500 to 1000 crores, I know Prasad sir came on television and debunked those claims that there is nothing like that. As of now, we have no estimates to how much of the cost overrun could be because of this project, am I right about that or is there a round figure number that we have at this point of time?

Jayanta Basu: Whatever additional cost we are speaking just now, the number is much less than the figure what you have mentioned. It is a rumour, malicious allegations and it is not even, it is trickery, you know trickery is not synonym for honesty. I am very upset about this news.

Vibhor Singhal: I can imagine sir, I think most of us are about it.

Moderator: Thank you. The next question is from the line of Mayank Vaid as an individual investor. Please go ahead.

Mayank Vaid: My question is in regard to the total orders that you just said about 12000 odd crores that are there, so while I think the order flow is very good and I would like to congratulate the management on this, so do you have enough resources and man power to implement this in the next 2 years or how is it?

Jayanta Basu: I will address it one by one. If you see the orders are not in one segment. We have got orders in the drill and blast tunnel, we have got orders in building segment, we have orders in marine segment and probably we will get order in underground metro as well, so if you see it is a mix of segments and each mix means one segment, let us see one by one. Drill and blast, we have just completed 2 major drill and blast jobs in Jammu. The resources what was used there will be shifted to the new contract at the IRCON Sivok for the similar type of work. Building as you know, we have completed two major buildings, one is IIT Ropar construction and another is Bose institution construction in Kolkata. So these resources will be utilized in CPWD which is a big building job for us, 1200 crores and similarly if you get underground metro, this Kolkata because of this incident there will be some delay, but majority of the resources in Kolkata metro will be shifted to new underground metro, we have got enough resources and we also work not only with our own resources, we have our own associates those are with us for last 30, 40, 50 years and we will be using them, so I don't see any problem while having resources to do the work.

Moderator: Thank you. The next question is from the line of Venkat Subramanian from Organic Capital. Please go ahead.

Venkat Subramanian: I have a few, there is a fair amount of income that you haven't recognized actually over the years. Out of this project as well as actually a few other projects that you used to refer to in the past, what are the incomes that you haven't recognised and what is it specifically with respect to this Kolkata project?

- Prasad Patwardhan:** It is not that we have not recognised the income on these projects. As per the prevailing accounting standards, since our participation in this Kolkata metro project is less than 50%, the results of this project are not consolidated in our results, so only our share of the profit after tax of this project is included in our results. Having said that especially on this Kolkata metro project, the order size, this project has been in execution for more than 10 years now. The order size as it stands now, it is about 1700 plus crores and we have already executed about 1400 crores out of that, so remaining bit that is left for execution is about 300 crores.
- Venkat Subramanian:** So what has been executed has been accounted for an income?
- Prasad Patwardhan:** Absolutely.
- Venkat Subramanian:** Will you have to see that something that you already have recognised due to this because of delay and because of cost overruns etc., there was a part of the answer actually in the answer to the previous question, but is that something that you might have to see it back or what would be?
- Prasad Patwardhan:** No, we don't expect to reverse any of the incomes or expenses that we have already recognised in the past. That won't happen.
- Venkat Subramanian:** And what is the extent of delay that you foresee in the project?
- Jayanta Basu:** We are working out the scheme. In general the scheme what I have discussed, final sequence of work will be in that line and once this scheme is finalized, definitely we will put it in the program but today if you ask me, I see generally the project may require around 15 to 16 months time in addition to the original contractual duration as per current assessment.
- Venkat Subramanian:** In terms of Mindspace that is getting spent on because of this unfortunate incidents, how is it affecting your other projects and if because of this delay, will you be able to reorganize some of your resources into other projects, etc., and can your broad guidance in terms of execution for this year and the next year, can it remain or can it improve?
- Jayanta Basu:** If you see this particular project at Kolkata metro, the two main resources have been the tunnel boring machines number one and number two. In fact, we didn't have any plan to utilize these machines in near future because these machines are exhaustively working and our plan is to remove the machine and do overhauling and see what we could do with them, so we didn't have any near future planning to utilize these machines. So in fact these two machines are not going to affect our future jobs. In addition to that we already have two or three other TBM machines with us, so if we get any other new job, those will be utilized not these machines. Other resources are very generic type, those can be enhanced, those can be kept in inventory and I don't think that will affect our future planning.



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- Venkat Subramanian:** So this really doesn't occupy too much of your mind space and our management bandwidth and you will still be able to execute something of the order of 2500 odd crores which is probably of what we are in line for previously?
- Jayanta Basu:** Yes.
- Venkat Subramanian:** Can you give us a broad indication in terms of what it can be either this year or the year that follows?
- Jayanta Basu:** Yes, I think if you have seen that our Q1 result and we hope to be maintaining the same tempo going forward.
- Moderator:** Thank you. I will move to the next question that is from the line of Abhinav Bhandari from Reliance Mutual Fund. Please go ahead.
- Abhinav Bhandari:** Sir, I wanted to understand a bit more on the metro project, so these both TBMs which were kind of going ahead the same alignment or the same path towards Sealdah?
- Jayanta Basu:** Yes.
- Abhinav Bhandari:** So now when you say that you start the second TBM, so how is the position for the Aquifer now and are there any precautionary measures that we are taking on this or the alignment itself is going to be changed to that extent and when you said that the second TBM once it reach Sealdah it would come back and dig up the first tunnel just to understand how the alignment changes in this case?
- Jayanta Basu:** There won't be significant change in alignment. See, the TBM this area, it is under a curve, it is just taking a curve, so what we would do, maybe we will increase the radius little bit to make it more safe. When I say that may be the alignment will be hardly changing by half a foot from the present alignment. That is not the requirement. This is just to have a better operation scenario. So generally speaking, the alignment will remain the same and unchanged. Now your second question is that how to handle the Aquifer and that soil issue, yes we have our expert team in place and expert team from client side also and we are having lot of discussion going on. We will definitely consolidate the ground from the present scenario and it will be fool proof arrangement for the TBM to go forward.
- Abhinav Bhandari:** Just from the first TBM, fair to understand that that portion would now be sealed and that TBM has gone forever, just to understand because you would have blocked the flow of water from the Aquifer, so the TBM is there only, right submerged under the water?
- Jayanta Basu:** Yes, we have blocked the water and as a result of that there is no subsidence or seepage of water. Now the TBM2 will go, it will be removed, again it will put to work, it will come back

to TBM1. By that time what we will do, we will do a shaft around the TBM1 and we will retrieve it and then we will see what is to be done with the TBM1.

Abhinav Bhandari: And just to understand sir, before you came onto this curve while you were doing the construction, I think what we read from the media is that some of these buildings in this area are pretty old and as such hitting the Aquifer was a second incident which happened but otherwise also because of the functioning of the TBM there was some vibration or some threat to some of these buildings which was kind of expected that was mentioned in the media report, so just trying to understand whether now the TBM2 working, it would have some impact on the buildings there and as you mentioned that 27 buildings would have to be dismantled, so how is the situation there now on this?

Jayanta Basu: This vibration part is wrong information. There had been no vibration because TBM never vibrate anything. Yes, this area is thickly populated and some of the buildings are around 150 to 200 years old and naturally for abundant precaution whenever we used to do any work, even before this incident, the moment TBM was passing through some old buildings, we used to evacuate people, keep them in safe custody in hotel. Once TBM passes at the location, we bring them back, this is a standard procedure we have been following and that will be followed in coming future also. What we will do now, only thing the ground part which we think that we will be okay if we consolidate them better than what it is now. Otherwise, there is no other threat to the building people.

Abhinav Bhandari: And these buildings that would get dismantled that work would be taken up by us only under the scope of the project or how does it happen?

Jayanta Basu: See, as I mentioned to you, we have got several coverages. One of the coverages is Third Party liability. You need to see from that angle and definitely those people have to be given shelter by making new building and something. That we are discussing with KMRCL and insurance people.

Moderator: Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.

Kirti Jain: Sir, how many buildings got damaged in terms of say, square foot area and like how much could be the liability, earlier participant you told that the maximum our exposure could be much less than 500, so any ballpark which you could give sir that how much, so that you can put all the rumours to rest that this is outstanding or that is outstanding that may be little more helpful?

Jayanta Basu: Yes, I will explain to you. See, total there are 70 buildings which we have evacuated. When I say building, each building, some of the buildings are G+1, some of them are G+2 and 70 buildings have got 70 different addresses as per the Kolkata Municipality Corporation. Out of

70 buildings, we can say that around 29 building needs to be dismantled. Some of the buildings have already been dismantled. Some of the building situations are not good we have to dismantle, so 29 have gone. We call them red and out of 70 buildings, 16 buildings have been declared safe by us, by third party and by eminent engineers, so 16 plus 29 and remaining is 25 buildings. These 25 building are still under investigation because the access is very narrow so status will be known soon. Some of the building may require some repair, some building may have to dismantled, so that we will know after some time.

Kirti Jain: So 29 plus 54 buildings, what would be the built up area or any calculation like exposure at risk which for the company can be there, sir?

Jayanta Basu: In fact I will not be able to tell about the square feet area because I don't have the detail and as yet, nobody has the detail because these buildings are so old and we are going to the Kolkata municipality to find, dig out the detail, what was the area registered and all these things, so it will be difficult for me to tell, give any idea about the area but generally speaking as an engineer, we have analysed the cost and we expect that the cost is reasonably okay within our insurance provisions.

Kirti Jain: Sir, once insurance money comes we will be dispersing or we will be giving from our pocket and going for reimbursement, sir?

Jayanta Basu: What is happening today as because first of all that Chief Minister has declared 5 lakhs to each affected family, KMRCL has started disbursing this amount to the affected families. May be that could be adjusted in future, I don't know because KMRCL also realizes that they have to also help contractor, not help, support contractor, so it will go hand in hand together. I don't see that we have to pay from our pocket immediately and let us see how it goes with the insurance company.

Kirti Jain: Sir that 5 lakhs that you told that is from that we will have to pay sir or that obligation is not on us?

Jayanta Basu: I really don't know about that. It was agreed by the Chief Minister and KMRCL has paid it and we say yes, we should pay because that was immediate requirement to keep the sentiment of the public under control, so that needs to be seen.

Kirti Jain: Sir, just a strategic question, in many metros we are facing some or other issue we are facing. In the case of like a secluded side our performance as a company is much better in case of say some JNPT projects or marine related projects which are secluded from the human density where there our performance has been very good. Sir, can't we as a company as a strategically move from these densely located population related projects to say something more secluded or buildings kind of thing as a company strategically because we face issue in Bangalore,

Delhi, third one Kolkata over like 3 to 4 years we have been facing issues or losses by taking large projects and some or the issue comes?

Jayanta Basu: You are absolutely right, but you see the business is basically market driven. If we have got all jobs under marine, we will be more than happy but that is not going to happen. We have to go as per the market and today if you see all the cities, they are flooded with metros. We cannot be in isolation stay away from this business. We have to do it and we have to have our technology enhanced, we have to take proper mitigation in our cost and that is what the business is all about.

Kirthi Jin: Because the risk many times, the profit or something we may earn, sir?

Jayanta Basu: Yes, I agree with you. Definitely, we have our system in place, we have to protect, we protect ourselves by taking adequate cost built in in our estimate and as I said at beginning that some of these costs which may likely come are already built in our estimate as risk mitigation / contingency plan.

Moderator: Thank you. The next question is from the line of Viral Shah from Prabhudas Lilladher. Please go ahead.

Viral Shah: Sir, just one question, apart from this Kolkata metro, there is any other metro project which has been affected of lately?

Jayanta Basu: You are talking about our projects or some other?

Viral Shah: Our projects?

Jayanta Basu: No.

Viral Shah: All the projects are progressing as per schedule, right?

Jayanta Basu: Yes.

Viral Shah: Including Mumbai metro as well, right?

Jayanta Basu: Mumbai metro is going very well.

Viral Shah: So there is nothing of that nature to be worried?

Jayanta Basu: No.



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- Viral Shah:** And sir, rightly you had said that most of the claims have been covered in terms of insurance, so by chance if whatever payment we will be made we will be reimbursed going forward, so is there apprehension from insurance companies for this mishap or no?
- Jayanta Basu:** No, we are discussing. See, why we take insurance for such situation only, isn't it? Why you should pay so much of premium, its to handle such situations We are discussing with the insurance company.
- Viral Shah:** Sir, I just wanted to understand is there some clause which has been put by most of the insurance companies, this unforeseen situation will not be covered, so is there something?
- Jayanta Basu:** No, I don't know, so far we haven't seen anything like that and we are quite positive.
- Moderator:** Thank you. The next question is from the line of Ashish Aggarwal from Principal Mutual Fund. Please go ahead.
- Ashish Aggarwal:** Sir, just wanted to check with your ratings under watch, any issue with the lenders and are you getting the bank guarantees or any issues with your working capital debt sector?
- Prasad Patwardhan:** Ashish, there is no issue with the lenders as with all our banks the relationship continues as usual. Nobody has held back any guarantees or limits as far as we are concerned.
- Moderator:** Thank you. The next question is from the line of Rajendra Mishra from IDFC Mutual Fund. Please go ahead.
- Rajendra Mishra:** What I am saying is can we outline what cost the company will have to incur, what cost insurance companies will have to incur and what cost the KMRCL or the state government will bear, so can we outline briefly what will be these cost heads?
- Jayanta Basu:** See, we have to make one shaft to retrieve the TBM which is stuck up there and we have to have some ground consolidation through which the second TBM will do to take abundant precautions and there are some cost out related to the public, rehabilitation and all, so as I told you, generally speaking all these costs are covered within our provision of the cost of contingency and other insurances. KMRCL shall pay us for the work including the extension of time.
- Rajendra Mishra:** Do we yet to have an estimate of how much time overrun will happen or we are yet to figure that out?
- Jayanta Basu:** Yes, actually as I mentioned to you it is little early, but even then we have done little bit of study. As per our estimation, it may be 15 to 16 months additional time may require.
- Rajendra Mishra:** 15 to 16 months from now.

- Jayanta Basu:** It may go another, 15 months more from the original expected time line.
- Moderator:** Thank you. The next question is from the line of Parikshit D Kandpal from HDFC Securities. Please go ahead.
- Parikshit D Kandpal:** Sir, what will be the total cash balance in this project?
- Prasad Patwardhan:** Parikshit, we have got cash balance there in the form of some deposits that we have, over 50 to 60 crores of deposits lying over there just now.
- Parikshit D Kandpal:** Okay that will be unutilized, and it will be unencumbered, right?
- Prasad Patwardhan:** Yes, it is unencumbered. In fact this project I can share with you and all the other participants as well. We don't have any debt on this project. This project is debt free. We had a loan of about, outstanding debt of about 90 crores which was prepaid above is sometime in December 2017 or so, so there is no debt on this project, it is completely debt free, only the contractual guarantee is the performance or retention money guarantees, those are outstanding but otherwise there is no debt on this project at all.
- Parikshit D Kandpal:** So it is safe to assume that this amount of 60 crores will be the contingency reserve which you have built up?
- Prasad Patwardhan:** Parikshit, it will be difficult to comment on that right now. Contingency reserve is not just in form of cash, it can be in the form of cost provisions also in the estimate that we prepare, so it will not be possible for me to comment on the quantum of the contingency provision at this stage, but the assessment is that the provision should be sufficient or even more than the additional cost that we may incur as Mr. Basu explained earlier.
- Parikshit D Kandpal:** But these contingencies will be noncash, right because will it be cash or noncash contingency?
- Prasad Patwardhan:** No cash means it will not impact the project profitability. When we have built that into the project cost, it means that the project profitability may not suffer too much on account of any additional cost that may come on us. We expect the cost to be compensated through the insurances that we have and may be to some extent contractually with the client as well. If there are any other cost over and above that then those will be taken care of as of contingencies or cost provisions that we have in the project.
- Parikshit D Kandpal:** So typically, in these kind of projects, this is 1700 crores project, so what typical contingencies you would build, is there any thumb rule where you say 1%, 2% or?

- Prasad Patwardhan:** No, it varies from project from project and it depends on the complexity involved in the project, so it will not be possible for me to comment on how much will be the contingencies on this project.
- Parikshit D Kandpal:** Sir, you would be paying premium for this project both like third party and direct and for the contract, so what kind of total coverage you have on from the insurance side around this project, both third party for the project and for the TBMs? What kind of carrying value of the insurance?
- Prasad Patwardhan:** Parikshit, I won't be able to comment off hand on the quantum of the insurances, but we have a Contractors All Risk policy which covers the entire project we have specific insurances in place for the plant and equipment and the tunnel boring machine and even the third party liabilities are covered.
- Parikshit D Kandpal:** Basically, I want to understand sir, so on the contract, on the project side, because we can understand that for TBM it could be returned on value where you get claim assessed, but for a project typically like say 1700 or 1000 crores, so what kind of coverage typically is there for say Rs.100 project or what kind of insurance coverage could be there?
- Prasad Patwardhan:** No, the insurance, the Contractors, All Risk Policy is for the whole project, for the entire value of the project, so it is not as if you know if the project is of Rs.100, we will take Contractors All Risk policy for Rs.10 or Rs.20. No, the Contractors All Risk policy covers the entire value of the project.
- Parikshit D Kandpal:** Sir, when we had bid for this project, we were aware that there are some 70 to 80 buildings which are on the surface, over the surface and there is likely possibility that these buildings may need repairs or gets dismantled or may get redeveloped, so while bidding we have considered this cost of doing this work in the total project cost while bidding?
- Jayanta Basu:** We knew that progress below such old buildings would be slow some of such cost related to delay would have been factored in our estimate and that is normal but what has happened Parikshit this Aquifer and the flow of water which was really unforeseeable because we have been doing work here for last so many years, we have already done almost 8.5 km tunnel and never had this situation before, so which was something which went wrong and for those type of thing only we keep in our provisions and I am just going beyond that. It is not only that we had faced this problem. This type of problem has happened in India, in Kolkata metro, other package also, not to this extent but there have been problem similar to this. In Chennai Metro, the road has collapsed above TBM, the bus went down. In DMRC one TBM was stuck up under the Gurudwara, they have to vacate the Gurudwara and dismantle Gurudwara and redone it. One TBM in Mumbai itself around 3 meter diameter has stuck up for last one year, so these things happen sometime, but luckily for this project now what has happened, we can see a

clear road map, we know what is going to be the end and it is not likely to anyway affect - our company's performance.

Parikshit D Kandpal: Sir, the TBM is already dead, so why can't you bury it, I mean is there any cost benefit of building out a shaft and then taking digging this or will this hinder the right of way that is why you have to pull it out?

Jayanta Basu: Exactly, because the TBM is lying on the track you know, basically the tunnel has to be there, so we need to remove it so the tunnel can pass through.

Parikshit D Kandpal: And building a shaft will be like how much costly affairs here building a shaft for pulling it out?

Jayanta Basu: We do it by our own team. We do the Diaphragm wall as you can see in many places, in Mumbai metro, so it depends upon what is the length and breadth of the shaft has to be done. That analysis is going on, but we have seen that it will be well within our insurance coverage which we are discussing.

Parikshit D Kandpal: And sir, the geological work, the Aquifer, this is under your scope, I mean the right of way part if there is any Aquifer or any other obstruction or determining the terrain hardness and all is the part of the KMRCL or it comes under preview of ITD?

Jayanta Basu: Let me give you some idea about this issue. See, whenever a job is given to any contractor and if it is designed and built, naturally the design belongs to the contractor's responsibility and what contractor do, they do some soil investigation as per the standard practice, engineering practice, so we carried away with that but that is something beyond that which is unforeseeable which you cannot get through the standard engineering procedure, so it has gone to that level.

Parikshit D Kandpal: So KMRCL doesn't have any, they are not really connected with this, they don't have any role to play in this part of the thing, right?

Jayanta Basu: This is a very subjective question now, but as far as we are concerned to do design whatever is required to be done, we have done it as per the contract.

Parikshit D Kandpal: And lastly Prasad sir, for this event which happened, will there be any write-down or anything in this quarter's performance and will you be taken going by the conservative nature of accounting you follow, so could there be any write-downs or one-time impact or negative impact of this entire episode in this quarter's performance?

Prasad Patwardhan: Parikshit, going by whatever has happened so far on this project, we don't expect any write-downs to be happening, not only this quarter but I guess even going forward we don't expect any significant write-downs or any write-downs for that matter as of now.

Parikshit D Kandpal: And just sir lastly on the credit ratings side, I have been talking to the credit rating, they put the rating on watch because they are expecting some data points from you. I know it is difficult right now the assessment is going on, so when will you be in a position to share that total like cost or whatever is the final impact with the investors and with the rating agencies or how quickly can that assessment get the over?

Prasad Patwardhan: Parikshit, this is something that can be finalized not only by us alone but in consultation with the client and other agencies involved, so it will be difficult for us to give any timeline at this stage. Primarily, all the agencies today including our people in Kolkata were involved in the humanitarian effort to rehabilitate all the 600 700 people who had to be moved out of their homes. So that was the primary focus for the last so many days and even now that is going on. It is only over the last couple of days that the peoples have started moving, 16 buildings have been declared as fit and the people are being moved back, so it will be difficult for me to even give you any number or indicate any timeline immediately at this stage.

Parikshit D Kandpal: Lastly on the nonfund base limit, sir what is the total exposure here and how are the banks looking at? Have they asked for extra cash margin or how is the client looking at? Is there any negative thing there which could come off?

Prasad Patwardhan: There is nothing negative here. What we have as I said is there is no debt. In fact the debt of this project was prepaid nearly 18 months back. What we have outstanding is performance guarantee worth about 120 to 130 crores and there are some retention money guarantees worth about 60 odd crores, so that is all that is outstanding as far as the banking limits are concerned on this project.

Parikshit D Kandpal: How is the client viewing it, I mean these guarantees are safe as of now. I think no impact will happen to these guarantee because of this?

Prasad Patwardhan: No, we are not expecting any impact on these guarantees.

Moderator: Thank you. The next question is from the line of Venkat Subramanian from Organic Capital. Please go ahead.

Venkat Subramanian: This project as well as our previous metro, they were all in joint venture along with our parent, so to that extent, has some income not been recognised or consolidated or is there anything pending just now?

Prasad Patwardhan: No, as I mentioned this project is being executed in joint venture with our parent company and our share in this project is less than 50%, so as per the prevailing accounting standards we are not allowed to consolidate projects as we don't exercise control, so that is why the revenue on this project is not getting consolidated in our standalone or consolidated revenues. Only our share of the profit on this project gets reported in our financial statements.

- Venkat Subramanian:** And we have followed similar accounting standards with respect to our other metro projects, right?
- Prasad Patwardhan:** Absolutely, we are completely in line with the applicable accounting standard.
- Venkat Subramanian:** So there is no unrecognised income that is spending in any of our subsidiaries where we have less than 50%?
- Prasad Patwardhan:** Mr. Venkat Subramanian, you may ask me this question using different words, but the answer is going to be the same, we are following the applicable accounting standards. There is no deviation on any projects. We are strictly going by the applicable accounting standards.
- Moderator:** Thank you. The next question is from the line of Jay Daniel from Entropy Advisors. Please go ahead.
- Jay Daniel:** Sir, any liability which comes on this Kolkata metro project? Will it be shared equally with the parent company or it will be completely borne by us only?
- Prasad Patwardhan:** No, this project is being executed by a special purpose vehicle, basically joint venture, so the executing agency here is the joint venture and as we spoke on this call earlier, we don't expect any liabilities to arise on the joint venture at all, so there is no question of any liability arising on either of the JV members.
- Jay Daniel:** But I understand that liability if it were to arise will fall only on ITD Cementation, not the parent, is it correct?
- Prasad Patwardhan:** No, that is not correct. This project is being executed in joint venture. If any liability, we don't expect any liability to arise, but if it does arise then it will fall on both the JV partners in the proportion of their participation.
- Moderator:** Thank you. Ladies and gentlemen, that would be last question for you. I now hand the conference over to Mr. Pranay Mehta for closing comments. Thank you and over to you sir.
- Pranay Mehta:** Thank you ladies and gentlemen for removing your valuable time and attending this concall. I thank you Mr. Basu and Mr. Patwardhan for giving us a chance to host this. Looking forward to hosting you all again.
- Prasad Patwardhan:** Thank you everyone.
- Moderator:** Thank you very much. Ladies and gentlemen, with this we conclude today's conference. Thank you all for joining us and you may now disconnect your lines.