



“ITD Cementation India Limited Q3 FY 2020 Earnings
Conference Call”

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MANAGEMENT: **MR. JAYANTA BASU -- MANAGING DIRECTOR, ITD
CEMENTATION INDIA LIMITED**
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MODERATOR: **MR. ADHIDEV CHATTOPADHYAY -- ICICI SECURITIES**

Moderator: Ladies and gentlemen, good morning and welcome to the ITD Cementation India Limited Q3 FY 2020 Earnings Conference Call hosted by ICICI Securities. 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 end of today's presentation. 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. Adhidev Chattopadhyay from ICICI Securities. Thank you and over to you, sir.

Adhidev Chattopadhyay: Good morning everyone. Thank you for joining us on the call today. Today, from the management we have with us Mr. Jayanta Basu -- the Managing Director; and Mr. Prasad Patwardhan -- the CFO. Now, I would like to hand it over to the management for their opening remarks. Over to you.

Prasad Patwardhan: Thank you, Adhidev. Good morning, everyone and thank you for joining us on this Q3 earnings called. This is Prasad Patwardhan -- CFO of the Company. We declared our results yesterday and I am sure you would have gone through the numbers and would have questions on the numbers that we have reported. A couple of other points that I would like to update everyone on is: on the debt position our debt has reduced as compared to the previous quarter. Our consolidated debt is a little under Rs. 500 crores and net debt is about Rs. 440 crores.

In terms of the order book during the quarter we have received new orders worth about Rs. 2,600 crores. This includes the underground tunneling project in Bangalore worth about Rs. 1,800 crores, we have also received an order in Myanmar from Adani worth about Rs. 560 crores. Overall, the order inflow in this nine month has been about Rs. 5600 crores and in addition to that, we are L1 on another building order worth about Rs. 350 crores.

Our order book as of December end is about Rs.12,600 crores. One more positive development, which I would like to update all of you on is regarding the tunneling work at our underground Metro project in Kolkata. Yesterday, the High Court heard the matter and we are happy to inform you that we have got permission to restart the tunneling work and we are hopeful of starting the work as early as next week.

This is all that I have to share with you at this stage. I will hand over to our MD – Mr. Basu and then, we will take your questions.

Jayanta Basu: Good morning, everyone. I would like to highlight the key areas of operation during the quarter. The first thing I like to appraise about the Kolkata Metro development which Mr. Prasad has just mention. We have been waiting for last two months for the court to give their

decision and yesterday, they have given their verdict that we can start the work. So that is a key development and we will be commencing the tunnel work may be from next week.

During this quarter, we have secured one international project in Myanmar, which is also a landmark achievement by our company. We have been trying for last so many years, but this is the first time we have secured an overseas contract, our customer is Adani and it is a marine job. The job just started. Our team is in place.

If you see, the work done, we have done around Rs.707 crores compared to last quarter Rs. 709 crores and June quarter Rs.704 crores. So as you can see it is flat. We expected a little bit more in this quarter. But our current work in hand have mix of very recently secured Jobs of around Rs.6,000 crores.

So, we are not able to get much revenue from these jobs as its the initial phase and we expect from next quarter we will get substantial revenue from these jobs.

Till tunnel work resumes at Kolkata Metro, the progress is less as compared to initial guideline.

Udangudi, it is doing very good and we are doing Rs. 25 crores to Rs. 30 crores job per month, by any standard of civil construction that is a good revenue per month. But our expectation was that we would be able to start electromechanical work also. But here our top side work progress is little slow, otherwise revenue could have been much better.

So this is the general scenario I like to take you a little bit more in detail project-by-project. As I mentioned to you Kolkata Metro, we are starting the work from next week, Mumbai Metro around 44% work has been completed and the tunnel work is going absolutely okay. Kolkata we are doing some work for Metro for the Biman Bandar station where progress is more than our initial guideline. In elevated sector Last month Nagpur metro five stations have been inaugurated by our new Chief Minister, Government of Maharashtra and Central Government, which is a good achievement because we had expected that bulk of the work would be completed by May this year. If you remember my last concall and now, we have already done part of the stations completed handed over. Bangalore Metro, we maintain the same statement that by July, three projects will be completed and by the end of this year the fourth project will be completed provided some portion of the work front is handed over this month.

Marine, except one project which is in Chara, all the projects are going well.

Similarly the two airport jobs Pune and Trichy, will pick up now. So basically, what I tried to mention here all the jobs are going okay and the new jobs, which are in initial stage will pick up during the second next quarter.

I think from my side that is all, thank you. Any question from your side?

- Moderator:** Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Sir, Congratulations on the work restarted at Kolkata. My question pertains to execution in our ramp-up. Basically we had won underground metro project in Bangalore in November 2019, has the work started? And secondly, on the tunneling works on Sivok and Rangpo and plus GPRA, New Delhi building project which was in Q2 of 2020 of Rs. 1,000 odd crores. Can you just let us know, whether the work has started in all these three projects? And how do you see the ramp-up?
- Jayanta Basu:** Yes, that is just what I pointed out in my opening statement. Yes, three jobs in Sikkim, Rangpo and one job in Bangalore Metro. Bangalore metro job we have just got a month back and it will take at least another four to five months time to do some substantial progress. Now initial mobilizing work is going on. Sivok, Rangpo also we have started we have mobilized most of the machineries and in two projects we have already started the tunneling work. The last one some approach construction is going on. So, in this quarter that is from January we have done some work, February onwards work will ramp-up.
- Mohit Kumar:** What was the GPRA Kasturba Nagar, New Delhi work?
- Jayanta Basu:** That is for CPWD, we are constructing residential complexes, there are several towers and it is a building work basically and so yes, we have secured the job one and half months back. So it is in initial stage. So I think work will be ramping up from another two months - three months from now.
- Mohit Kumar:** Okay. And sir, on Udangudi, you just said that the Rs. 40 crores run rate you have right now and pending some approval from the TANGEDCO. The otherwise the revenue would have ramped up by a considerable amount. Can you please let us know, so what would be run rate going forward in Udangudi once the client approval is in place?
- Jayanta Basu:** It should be around not less Rs. 50 crores, around Rs. 50 crores to Rs. 60 crores per month.
- Mohit Kumar:** Okay. And sir what is the outstanding order book in Udangudi?
- Jayanta Basu:** Udangudi, I think value we have so far done close to Rs. 400 crores out of Rs. 1,600 crores. So Rs. 1,200 crores is still pending.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Yes. So I am saying, you said that 6,000 crores worth of jobs is still not moved into execution and from this quarter this will ramp up. So if I understand correctly, the balance 6,000 crores of work are yielding roughly around 700 crores per quarter or 2,800 crores or 3,000 crores of

annual kind of a number. So when this 6,000 crores ramps up does it have a similar kind of execution timeline to what we are currently executing?

Jayanta Basu: While the revenue will gradually increase from the newly secured Jobs, at the same time revenue will gradually shrink from the older Jobs. However, our work in hand position is much better as compared to last year. If you see last year this time, our work in hand was around 8,000 crores if I remember. And today, it is around 12,000 plus. So naturally the revenue will be more than compared to last year, year-on-year.

Parikshit Kandpal: Okay. So when do we start hitting the peak revenues I mean which quarter technically you would say that this entire 12,000 will start hitting the peak revenues?

Jayanta Basu: Let me explain more specifically. The Myanmar job will start immediately, when I say immediately say from April, Bangalore metro will take time because it is underground job and we have to do a lot many things before we start tunnel boring work. Tunnel boring work will start from September or October this year. Otherwise, Sivok - Rangpo the three tunnel job already started from January and from this March quarter you will find that we get substantial revenue from these three jobs. So if you see the range from March to September, during this period all these jobs will produce revenues.

Parikshit Kandpal: But when could we cross that Rs. 1,000 crore per quarter kind of not per quarter I am saying Rs. 1,000 crores kind of number in which quarter do we expect to cross that?

Jayanta Basu: Probably the second quarter of next year.

Parikshit Kandpal: Okay. And the second question was on the Bangalore (Bengaluru) elevated what kind of debt we have because I think if I remember correctly, last quarter, it does come down to Rs. 230 crores. So what we the number now?

Prasad Patwardhan: Well as we speak now we are under Rs. 200 crores.

Parikshit Kandpal: Under Rs. 200 crores. And by July how do we see this number panning out?

Prasad Patwardhan: It will definitely go down further but it depends on the progress of the work and we have to balance it out between the debt repayment and the use of the money for the project. So, as you have seen in the last one year the debt has gone down by nearly Rs. 100 crores. So we will see that the trend the debt will get will reduce as time goes by, but it will be difficult for me to give you exact number it in this stage.

Parikshit Kandpal: But for the year in whole sir this Rs. 440 crores of net debt, so where do you see it stabilizing? Is it like going to increase - decrease, how do you see this number panning out?

Prasad Patwardhan: This the Bangalore (Bengaluru) Metro debt will reduce, but you see with all the new orders all the new orders that you have got in the current year, these are under start standalone order book. So as the execution of these orders picks up, we see some increase in our debts. So the reduction in the Bangalore metro debt may be compensated by the increase in the standalone debt.

Parikshit Kandpal: Okay. Just last year on the Kolkata metro, sir. Now the work will start in a week's time and if I understand correctly, last quarter you had said that initially you will have to complete the job and then later on the final bill, you will have to claim it from the insurance of cash flow part, the amount you have to claim. But initially, you have to pump in for the working capital or the cost you have to incur initially. So, how will the accounting happen here?

Prasad Patwardhan: The accounting will happen the way it has been happening. I mean, there is no difference, whatever costs we need to incur for the execution of the project that will be incurred whatever claims we need to discuss with the client and see how to take it forward with them. But the project execution, although the tunneling work will start next week, the work on the station building has been going on for the last two months - three months that has not stopped.

Jayanta Basu: So let me also address this issue, Parikshit if you see, this is JV y job and we have independent set up and specific independent bank account and from operation whatever fund we have in bank that is more than sufficient to run the job so that is no issue.

Parikshit Kandpal: But this excess cost will be treated as a cost and you will be providing a cost over and taking hit on margins initially. And then, when the money comes back then you will be being your conservative nature when the insurance claims or money come back then you will be reversing this as gains. So is my understanding correct here?

Prasad Patwardhan: No, your understanding is not correct, Parikshit. We already have some contingency provisions in our budget, in the cost to complete on this project. We have already been reporting subdued margins on this project. So probably you know the extent of upside that we may have expected on this project that may reduce to some extent. But we do not see any hit on the margins that we are we have been recommending on this project.

Parikshit Kandpal: So no losses will accrue from this project?

Prasad Patwardhan: No we are not anticipating any losses on this project.

Jayanta Basu: No, this I have clarified during last two concall. So we maintain the same status.

Moderator: Thank you. The next question is from the line of Sanjay Dham from Old Bridge Capital. Please go ahead.

Sanjay Dham: When I look at your numbers, I mean you are winning fabulous orders you are doing very good work. When I when I look at your quarterly execution and the interest cost, which is there in the P&L, I mean, last time you were doing 700 crores or 750 crores or more than that was you know, June 16, then execution fell, now you are again back to 700 crores for quarterly execution. And between that time and now, or even in the last two quarters - three quarters or four quarters or five quarters, when I look at your interest expense to EBITDA, its kind of has been going up. So, it has been going up from 25% to 30%, 35% - 40% this quarter now it is 50%. So, I would really appreciate if you can give some sort of a sense on what should we expect going ahead as the execution increases in the coming quarters.

Prasad Patwardhan: Sanjay, the interest cost that we are reporting, it includes two - three components. One is the interest costs on the debt that we have from the banking system. The second is the interest on the customer advances with all the new order coming in taken customer advances and most of the advances are interest bearing. The interest cost also gets added over there. The third thing that has happened particularly in this financial year, is the new accounting standard accounting for leases, which has kicked in which is IndAS 116 and that is impacting our interest cost by about Rs. 2 crores - Rs. 3 crores per quarter. That is the reason why you are seeing some increase in our interest cost largely it is on account of these three factors.

Sanjay Dham: Yes, I mean, if I look at your PBT margins, sir, over the last six quarters , eight quarters, ten quarters, 12 quarters it has been coming down from, maybe one quarter you hit 9% that to in an aberration. But roughly, in the past we used to do 5% - 6% kind of PBT margin that in the last two - three quarters was I will just leave out the March 2019 quarter because it had extraordinary. Otherwise it was in the vicinity of 3%.

Prasad Patwardhan: But this is what we have been indicating, Sanjay. I mean in all our concalls, in interaction with investors, we have been saying that our margins are going to be lower than what we have been reporting in the past because of the Bangalore metro we are not recognizing any margins today. It is getting reported in the top line. But we are not recognizing any margin on the Bangalore metro.

Sanjay Dham: So ex of that would, what would be the PBT margin, sir?

Prasad Patwardhan: It is difficult to give you a number of hand, but Bangalore metro accounts were roughly Rs.180 crores or Rs.190 crores in this quarter of which we are not recognizing any margins.

Sanjay Dham: So, if I were to just take that out, then your PBT margin would still be sub 2% sir?

Prasad Patwardhan: No, that is true the PBT, PAT margin will not change. But the EBITDA percent the numbers operating profit that we are reporting as a percentage of our revenue, has been certainly improve and it is a function of our order mix and the execution mix as Mr. Basu said at the beginning of this call, we are executing projects which have been recently awarded. So there is

a lot of work which is happening at the site level, but that is not getting translated into margin as well at this stage. You will see that happening as the progress the execution of these projects picks up.

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

Kirti Jain: Sir, first on Kolkata, what is you know expected completion date of the project, sir?

Jayanta Basu: Look, tunnel work will commence may be next week or so. And then, as I have mentioned you before, instead of two machines, now will be only one machine to complete the remaining portion of both the tunnel. So to my knowledge, it would take around seven months to eight months to complete the tunnel. There after it is another one year for the finishing activities, station, etc. So that is what maybe by the end of next year December 2021.

Kirti Jain: So it will take another 20 months to complete the project, sir?

Jayanta Basu: Around that.

Kirti Jain: So I mean, what 7-8 months what is that you are trying to highlight, sir?

Jayanta Basu: 7-8 months, first of all the tunnel has to be done with the machine. Once the tunnel is done. Thereafter also there are a lot many work has to be done after the tunnel, which is around one year job.

Kirti Jain: Okay. Sir then, with regard to the legacy Bangalore project, how much time it will take sir now with the pending order?

Jayanta Basu: Bangalore our pending order today is around Rs. 480 crores. There are four jobs actually. So out that three jobs more or less will be completed in July this year and the one job for which some portion of site is still not handed over that will go around December or maybe January because some portion will still not handed over So you can say mid of this year to end of this year or beginning of next year the whole job will be completed.

Kirti Jain: So by December 2020, we should be completing the work, sir.

Jayanta Basu: Yes, provided a small portion of area that is still not handed over that gets handed over to us now. if it gets delayed then it will take accordingly it will delay.

Kirti Jain: Okay. Sir, with regard to the margin recognition in the newer project like Sivok - Rangpo, the Delhi buildings, when will we start booking the margins from these contracts you had highlighted from June the works will start, when will the margin threshold category would be booked, sir?

- Jayanta Basu:** See, our threshold limits is 10% of the work. Once we do then only start to recognize margin. So it will vary, for Myanmar, I hope that 10% limit will be possible by second quarter of next year, I think second quarter or third quarter, we will be able to recognize the margin. Bangalore will take some time, it may go up to third or fourth quarter also.
- Kirti Jain:** Okay. Sir, given that the mix in marine is improving and complex projects is improving like Sivok - Rangpo, Myanmar job and also the underground tunneling in Bangalore. Should we expect margins to improve sir from YTD level of 10 percentage range?
- Jayanta Basu:** For the new job and some old job yes, definitely margin will be okay later. But you know we have got some legacy project also which are moving slow. So we have to see, generally speaking that margin whatever you see now it will be in that range.
- Prasad Patwardhan:** As we mentioned earlier on the call, we see improvement in the margins happening in the next year. But once Bangalore metro is out of order book, the old elevated Bangalore metro project, we see margins improving thereafter.
- Kirti Jain:** Okay. So maybe probably in from fourth quarter next year, we should see third quarter - fourth quarter, we should improvements, sir.
- Prasad Patwardhan:** Yes, that is what we would hope or maybe even earlier
- Kirti Jain:** Okay. Sir, like next year, can we touch a Rs. 4,000 crores revenue sir, like sir had highlighted in the previous question to Parikshit said that Rs. 1,000 crores we will be touching in the September quarter kind of run rate. Given that after that only progression can happen. So, Rs. 4,000 crores run rate, can we take for next year sir, revenue thing?
- Jayanta Basu:** Yes, with the work in hand around 12,000 plus, we expect it to be around Rs. 4,000 crores.
- Kirti Jain:** Okay, sir. My next question is with regard to interest cost, sir now console interest costs is around Rs. 32 crores kind of run rate quarterly, sir. How we should expect it in the next year, sir like we should be in 140 - 150 range or how it should be higher than that, sir?
- Prasad Patwardhan:** No, we are doing about Rs. 30 odd crores on a quarterly basis. We do not expect the interest cost to go up significantly to this level.
- Kirti Jain:** So, sir, like but BG/LC cost will go up in the Rs. 30 cores component of in the execution fix up for giving in the budget. So Rs. 35 crores - Rs. 30 crores quarterly should we expect, sir as when we hit the Rs. 1,000 crores run rate.
- Prasad Patwardhan:** So as I said it will not be, it is not vary significantly. You know BG cost may go up, the borrowing may come down, the advances could get recovered as the project execution picks-

up. So it will be a mix of all these things. But we do not expect any significant variation in the interest cost.

Kirti Jain: Okay. Sir, then with regard to the CAPEX plan, sir what is the any broad idea we have done with regard next year's CAPEX plan, sir or it will be the CAPEX plan?

Jayanta Basu: CAPEX plan so far in this year around Rs. 65 crores and maybe it will go up a little bit because there are some new projects like Myanmar and all. So next year we will try to keep it within around this number only which is say Rs. 75 crores - Rs. 80 crores.

Kirti Jain: Okay, sir. Sir, with regard to pipeline, I mean order pipeline what else is pending, sir? Does the Mumbai, the sewerage plant order and all, when will it start to come sir?

Jayanta Basu: Mumbai sewerage Jobs are all retendered recently o I think we are going ahead with a couple of jobs. I do not know how many two or three. I think for first one the bid submission is on 20th of February. So, let us see. That is as far as Mumbai is concerned. And there are many jobs in marine and metro, underground in pipeline. As we know, marine BMCT, JNPT, 3 tenders we have already submitted discussions are going on Then you have a job in Cochin and Sea Bird, Karwar so there are a couple of big jobs in pipeline. If you see around Rs. 12,000 crores plus jobs we are pursuing now in marine, buildings and metro.

Kirti Jain: Okay. So next year we expect say similar Rs. 5,000 crores kind of order, sir

Jayanta Basu: Yes, if you see this year, this year already have secured in nine months Rs. 6,000 crores job as compared to Rs. 5,000 crores last year and definitely this Rs. 6,000 crores will go up because one job we are L1 and naturally we are optimistic to get couple of more jobs We will try to make this a same tempo as well in next year.

Kirti Jain: Sir, then given that liquidity crunch, is the sanity improving sir, with some of the players also facing crunch in the underground metro, some of the players facing crunch, is the bidding sanity improving? And is the can structurally margin can improve in the say newer bids which we will be taking, sir?

Jayanta Basu: I cannot comment about our competitors. Basically what our approach is always that we try to do our best estimates after detailed study of the tender document, market, yes, we can say that there are a couple of companies that in problem but that is not the only criteria, criteria is whether we are able to secure our margins.

Moderator: Thank you. The next question is from the line of Sneha Ghoshal from SKS Capital. Please go ahead.

Sneha Ghoshal: I wanted to ask the Kolkata project, what is the cost of the project and how much CAPEX have incurred in the project till now?

- Prasad Patwardhan:** Project value as of now is about Rs. 1,700 plus crores and the value of work that is remaining to be liquidated is roughly Rs. 500 crores.
- Sneha Ghoshal:** Sorry, Rs. 2,500 crores?
- Prasad Patwardhan:** No, the project value overall is about Rs. 1,700 plus crores. And the value of work that has been executed so far is about Rs. 1,200 crores.
- Sneha Ghoshal:** So when can we expect the revenue coming in of this?
- Prasad Patwardhan:** The revenue It is coming in even now, although the tunneling work was stopped, the work on the station building was continuing. So the revenue is coming in every quarter, it will now pick up again, once the tunneling starts maybe in a week or so.
- Sneha Ghoshal:** All right. Secondly, sir, can you give those segment wise revenue break up?
- Prasad Patwardhan:** Segment wise revenue break-up we will not be able to give you at this stage. What you can share with you the segment wise order backlog. So our urban infra and MRTS accounts for about 35% of our order book; marine is about 28%; hydro dams, tunneling and irrigation is about 20%; building is 8%; and airports is 6%.
- Sneha Ghoshal:** Thank you so much. And sir, the thing was you talked about the revenue booking that was not booked in this quarter, that would be see in the next quarter that I did not quite get clearly. Can you please give me what is happening?
- Prasad Patwardhan:** No, whatever work we have performed in this quarter, the revenue has been booked. The question was about increasing, the level or the scale of our operations. And when will these new projects start getting reported in our revenues, so that is our MD answered that the works is expected to pick up in the next one or two quarters. And then we will see our top line also growing accordingly once the execution of these orders picks up.
- Sneha Ghoshal:** So there was an increase in the cost or might be the cost of some projects have already been booked but the revenues have not come yet?
- Prasad Patwardhan:** No, nothing like that. Wherever the revenue is coming in the related cost all have accounted.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal PhillipCapital. Please go ahead.
- Vibhor Singhal:** Sir, what would be the duration of the Adani Myanmar project?
- Jayanta Basu:** Adani Myanmar project 20 months.



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Vibhor Singhal: 20 months. So, sir of will it be safe to assume that in the current order book that is the project, which will probably be because it has not yet started that project will probably be the one project which is going to end the last. So basically, we will exhaust, we should be able to probably be exhausting our entire order book of 12,000 crores in the next three years?

Jayanta Basu: Yes, less than three years.

Vibhor Singhal: Less than three years.

Right, sir. So sir, basically given that into a counter that your order book is very strong at this point of time, basically, any kind of different strategy that you would want to bit take ahead in terms of bidding for projects that you would probably focus more on only metros and marine and not probably go too much into buildings and airports, which we have not historically, but we have started off late because the current order book itself gives us a good revenue visibility for next two years, three years. So any chance that we will probably hold ourselves back from bidding for those projects or you are happy with the way it is going right now and will continue on the same path?

Jayanta Basu: So there will be definitely some shift from our earlier strategy. If you see there are segments which we take only for the volume purpose elevated metro, road and some sort of like that. focus on those sector will be less now.

Vibhor Singhal: Will remain the same. Sure, sir. And sir, in the order book excluding the Rs. 6,000 crores of orders that you mentioned, which we have recently won and in on many of them the project has work has yet to start. The old Rs. 6,000 crores of order book, any project on which we are facing any delay in execution or delay in payment.

Jayanta Basu: As you know we have got one legacy job in Telangana that is Pranahita.

Vibhor Singhal: That is with the Maytas JV, right sir?

Jayanta Basu: Yes, Maytas

Vibhor Singhal: Sure, sir. Right. Prasad sir, if I could just basically get your opinion on the margins in this quarter. So the margins in this quarter were a little lower than last quarter as well as last year significantly. So any specific reason for that apart from contribution from Bangalore metro.

Prasad Patwardhan: There are two reasons for this. One is the new order that we have secured and we have started mobilizing and start executing these projects. But till then reach the 10% threshold there is no margin And this is what we have indicated in our earlier investor calls as well. I mean, this is in line with our expectations and what we should be, the way we have been communicating with the investors this is in line with that.

- Vibhor Singhal:** Sure, sir. So you mentioned two things, one is this and the other is Bangalore metro, right.
- Prasad Patwardhan:** Yes.
- Vibhor Singhal:** And given that many of the new orders we have yet to start execution. So I believe this could continue in the next quarter as well?
- Prasad Patwardhan:** Yes, it should continue some of these orders like you know the Myanmar order that we should start executing that by April or so. Like some of the order like the underground Bangalore metro project that may take another six months you know, it is a large project and enabling work we have started, right now. But it varies from project to project, but we should see, the execution picking up from April onwards and as the project execution picks-up.
- Vibhor Singhal:** Sure, sir. And just last question from my side. In the Rs. 6,000 crores of old order book apart from the Bangalore and Kolkata metro, any other project in which we are reporting lower than the company average margins?
- Jayanta Basu:** No I think Kolkata we are not reporting lower margins.
- Vibhor Singhal:** Okay. So I just assumed that because we are taking those provisions into account the margins in Kolkata metro might be a little lower than the company average?
- Jayanta Basu:** No.
- Vibhor Singhal:** No, okay. But other than Bangalore metro, no other project in the old order book is there any project in which we are reporting significantly lower margins in the average company average right?
- Prasad Patwardhan:** No, really. No such orders.
- Moderator:** Thank you. The next question is from the line of Prem Khuranna from Anand Rathi. Please go ahead.
- Prem Khuranna:** A couple from my side. So one was, given the fact that we have already done almost 44% of our Mumbai underground metro now. Would you be able to share your thoughts on the margin that you will be able to have with this project now and if the is the critical activity that we were waiting for to finish to be able to kind of give us a better sense on the margins, is it done now?
- Jayanta Basu:** Yes, the critical activity is almost on the verge of completion and we have been mentioning in the last couple of concall.
- Prem Khuranna:** Okay. Next quarter onwards we will be able to recognize margin from this for a project on a full potential basis, right?

- Jayanta Basu:** Yes.
- Prem Khuranna:** Okay. And sir, on this Rs. 5,500 odd crores or Rs. 6,000 odd crores of numbers that we have been able to manage in terms of in closing this year, have we any kind of receive mobilization advances for all of these? Or a large part of this is yet to come to you? How much of these would be the project wherein you would have already raised your demand for the mobilization advances and how much more is supposed to come to us?
- Prasad Patwardhan:** We have started receiving mobilization advances on this project, but not the full advances. It is as per the terms of the project so we get the mobilization advance also in tranches. Some of the project we have got 2% or 2.5% or 5% of the advances, whereas we are eligible to claim 10% advance. That will come to us in stages. So, we have not been taken all the advances that we are eligible to get from the client.
- Prem Khuranna:** But any number that you would have in place, as in how much has already come in and how much more is expected from, at least from this for Rs. 5,500-odd crores what is reported in nine months?
- Prasad Patwardhan:** Well, in the new orders we still have to get the advances of about Rs. 300 crores, Rs. 350 crores.
- Prem Khuranna:** And what is the average cost for these?
- Prasad Patwardhan:** These all clients they charge us at commercial rates, so it could be bank lending rates plus 2% or thereabouts.
- Prem Khuranna:** Okay. On this Myanmar project, is it a fixed price one? Generally what we see with international orders, I mean, these tend to be fixed price fixed time contracts. So is it the case with this project as well, wherein you don't have any pass through available with you?
- Jayanta Basu:** Myanmar project, yes, we don't have escalation in that and we have built up that cost as well.
- Prem Khuranna:** Sure. But it is a 20 month timeline project, which essentially will be a fast track project, I mean, compared to some of these other projects that we have in our order backlog today?
- Jayanta Basu:** If you see, escalation is a factor mostly applied in India,
- Moderator:** Thank you. The next question is from the line of Deepan Mehta from Elixir Equity. Please go ahead.
- Deepan Mehta:** Sir, my question was relating to employee costs and depreciation. So what I have noticed is that up to four years ending March '19, the employee costs have significantly increased 80% in four years. And now I think in this financial year it has flattened out. And second is,

depreciation also has shot up in that four year period ending March 2019 but it still continues to be high in the current fiscal and maybe because of IndAS. The question is that, now going forward, how do you see these costs? I mean, are they going to normalize at typically 7%, 8% year on year increases or are more investments required on equipment and further strengthening the manpower?

Jayanta Basu: Yes, as far as manpower is concerned, you are partially right that because of less volume of work we had during last year, the employee cost with respect to the work we have done is little high. But now because we have substantial work, around Rs. 13,000 crores work in hand, we don't expect to include more employee, we will try to manage the whole work with the existing team, so should be okay.

Deepan Mehta: And about the depreciation question, why has it increased significantly in this current year, is it IndAS? And also it has increased over the four year period ending March 2019, were IndAS was not applicable. So could you just give an overview?

Prasad Patwardhan: I will not be able to comment off-hand on the increase in the last four years. But in the current year the depreciation costs have increased largely because of IndAS, where roughly the impact is Rs. 5 crores per quarter because of IndAS 116 the recorded depreciation has gone up. And in addition to that, every year we are spending about Rs. 60 crores, Rs. 70 crores, Rs. 80 crores on replacement of new equipment purchases, that also adds to the cost of depreciation.

Deepan Mehta: And one question more of a clarification, you gave a response to earlier participant about the interest cost being high, and that was high because of IndAS application. So can you please repeat that? And along with that, when the projects actually start rolling out and implemented, then these interest costs will definitely reduce in terms of the customer advances which you have taken as you start the billing on those projects. Is that a correct understanding?

Prasad Patwardhan: You are partially correct. But you see, we have about 40, 50 projects under execution simultaneously. And all these projects are in different stages of execution. So it will be difficult for us to really map which project the advance is getting recovered or new projects where the advances keep coming in. That is one thing. Secondly, on the IndAS, where we have taken some plant or equipment or assets on lease, there is a change in the accounting methodology since April 2019. What was earlier getting reported as a lease expense, now gets bifurcated into interest and depreciation. So, the reported interest costs are higher in this year, roughly Rs. 2 crores to Rs. 3 crores per quarter is the increase in the interest cost, on account of the change in accounting of IndAS 116.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, how much Bangalore old metro order is left now where we are not booking any margin?



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- Prasad Patwardhan:** It is about Rs. 580 crores.
- Mohit Kumar:** When it should get completed, the entire thing?
- Prasad Patwardhan:** By end of this year we should be out of Bangalore Metro.
- Mohit Kumar:** Okay. And you said our credit rating was on watch, right, so given that our Kolkata metro thing is normally almost sorted.
- Prasad Patwardhan:** Actually, we are going to engage in a dialogue with our rating agencies immediately now, now that you have got the permission to start with the work. So, we will immediately take this up with the rating agencies for removing the rating which has been kept on watch.
- Mohit Kumar:** Sir, how does it affect our execution? Does it affect our ability to take additional debt for execution?
- Prasad Patwardhan:** That won't impact our ability in any manner, because the rating remains the same, our rating has not been downgraded, it has been only kept under watch because of this Kolkata metro incident. So there's no change in our credit rating.
- Mohit Kumar:** Understood. Sir, last, you said BMCT marine, there are a couple of marine orders, can you clear what is this BMCT order, is it for expansion from the 2.4 million to 4.8 million TEU, is it the same thing?
- Jayanta Basu:** Look, BMCT there are three contracts. I mean, three tenders. One is your dredging and reclamation, which we have to develop the new area by filling material.**Moderator:**
Sorry to interrupt. I would request you to speak a little louder.
- Jayanta Basu:** So BMCT one tender was for the supply of material from outside and second tender was to lay the material and improve the ground. And third tender is construction of the jetty. So, all these three bids we have submitted and discussions are going on now. Apart from these 3 BMCT, we have got one more job in Sri Lanka, for which tender has been submitted a long time back. We are expecting some results this month.
- Mohit Kumar:** Sir, what is the nature of Mumbai sewage order, what is the kind of the value and the work?
- Jayanta Basu:** Mumbai sewage, We may not pursue all of them, maybe two or three. Each easily valued over Rs. 4,000 crores, Rs. 5,000 crores, including electromechanical operation altogether.
- Mohit Kumar:** Each one of them Rs. 4,000 crores, Rs. 5,000 crores or all three?
- Jayanta Basu:** Yes, each.

- Mohit Kumar:** Each one, so six plants, so it's a large order?
- Jayanta Basu:** Yes, large, around Rs. 25,000 crores project.
- Mohit Kumar:** When do we expect this to be seen? Is there any movement in this order, when do you expect this order to be closed?
- Jayanta Basu:** It is going on, it is necessary for the city. It is going on for the last couple of years. Let us see.
- Mohit Kumar:** And sir, any other large tenders there in the metro project in the next six months?
- Jayanta Basu:** There are a couple of jobs, two in Bangalore Metro, and Delhi Metro Phase 4 one by one, there a lot of tenders are coming soon. Yes, these two particularly.
- Moderator:** Thank you. The next question is from the line of Jitend Rushi from BOB Capital. Please go ahead.
- Jitend Rushi:** Sir, just wanted to know the bank limits right now. The non-fund and fund limits as of now?
- Prasad Patwardhan:** The fund based limits are about Rs. 600 crores, Rs. 650 crores, non-fund based Rs. 3,300 crores. And in addition to that, the JV project we have separate lines for each project.
- Jitend Rushi:** And the utilization level for the fund based and non-fund based?
- Prasad Patwardhan:** Fund based utilization is about 50% or less than that. Non-found based utilization is about 75%.
- Jitend Rushi:** And sir, just wanted to know on the Kolkata Metro, obviously, the work is going to start tomorrow immediately based on the yesterday's approval that is so good to hear. But sir, the cost which we have incurred in last five, six months because we had to bring down the buildings in the nearby area to shift the people and the fixed cost there. So what is the cost we have incurred? And what kind of insurance claims we are planning to make?
- Prasad Patwardhan:** Well, we have spent about Rs. 7crores to date. The claims, etc, what we are going to get from the insurance company or what we will take from the client as well, we are in discussions with both the insurance companies and the client. It is not possible for us to quantify the amount at this stage.
- Jitend Rushi:** And sir, the third party is going to do the assessment for this thing. So that will also start immediately now?
- Prasad Patwardhan:** I am sorry, what?

- Jitend Rushi:** Sir, the engineering as per the court's order, the independent engineer will survey the project.
- Prasad Patwardhan:** Yes, expert engineers they have given their report, in fact the IIT Madras has also submitted their report and based on that the high court has given us permission to start the tunneling work.
- Jitend Rushi:** So now the issue has been resolved permanently?
- Jayanta Basu:** Yes.
- Jitend Rushi:** And sir, can you give me some balance sheet numbers, like debtors payables, mobilization advance, closing balance, retentions as on December?
- Prasad Patwardhan:** Trade receivables on a consolidated basis are about Rs. 480 crores. Unbilled working is about Rs. 800 crores.
- Jitend Rushi:** And inventory?
- Prasad Patwardhan:** Physical inventory must be around Rs. 250 crores.
- Jitend Rushi:** And payables?
- Prasad Patwardhan:** Payables would be around Rs. 600 crores.
- Jitend Rushi:** And mobilization advances closing?
- Prasad Patwardhan:** Mobilization advances are about Rs. 500 crores on a consolidated basis.
- Moderator:** Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.
- Kirti Jain:** Sir, just you were highlighting with regard to new projects, that the margin threshold not being recognized is higher sequentially. Sir, roughly how much it would be higher, any color you can give on that, the accumulation of the new projects? Like what was in the September quarter, what is that in the new, say in December quarter, the cumulative revenue of the projects where the margin threshold has not been recognized?
- Prasad Patwardhan:** You see, in all these new projects that we have won, we are nowhere close to reaching 10% in this quarter.
- Kirti Jain:** So how much would be the revenue, it would be Rs. 100 crores or less than that?

- Prasad Patwardhan:** It will be really difficult for me to quantify that number at this stage. I don't have that number with me right now.
- Moderator:** Thank you. The next question is from the line of Nidhi Patodiya, an individual investor. Please go ahead.
- Nidhi Padotiya:** Sir, my question is regarding the capital expenditure for the Sikkim project. You told to one of the questions, you said that it is almost Rs. 65 crores to Rs. 70 crores in all, the capital expenditure. I just wanted to know what is the allocation to the Sikkim project?
- Prasad Patwardhan:** No, no, Rs. 65 crores is the CAPEX that we have incurred during this nine month period. There's no specific allocation to the Sikkim project. Most of our equipment, it can be used on different projects as well. There is very little equipment that is project specific. So, I mean, I won't be able to give you an allocation of how much is for Sikkim project or any other project. Overall CAPEX that we have incurred in this nine month period is about Rs. 65 crores.
- Nidhi Padotiya:** Okay. My second question is regarding the Bangalore Metro project. The new job that you had just said about the Bangalore Metro project, is it designed by ITD Cem?
- Jayanta Basu:** Yes. It is design and build construction work to be done by ITD Cem.
- Nidhi Padotiya:** Okay and what about the Elevated Bangalore Metro project? Like that is in process, what is the percentage of completion of that project?
- Jayanta Basu:** As we are receiving that, out of four jobs three will be completed by July this year, and the last one will be completed by December, provided we get a little bit of area which is still now handed over to us.
- Nidhi Padotiya:** Okay. And have we booked any profit or is there any loss in these completed percentage projects?
- Prasad Patwardhan:** Bangalore Metro in the quarter ending March 2019, we have recorded a loss on this project. So, after that subsequent to that we have not been recognizing any margin on the Bangalore Metro Elevated project.
- Nidhi Padotiya:** How much loss, can you just give me a rough idea?
- Prasad Patwardhan:** I think in the March quarter last year we had booked about Rs. 35 crores, Rs. 40 crores of loss.
- Nidhi Padotiya:** And my last question would be regarding the arbitration award. Can you just throw some light on the status of the arbitration award?
- Prasad Patwardhan:** Any specific arbitration award are you talking about?

- Nidhi Padotiya:** Nothing specific. I just wanted to know what's the status on the whole.
- Prasad Patwardhan:** We have various arbitration matters in progress, so there is nothing specific. These are at different stages of adjudication. There is one particular arbitration matter that I can share with you which was awarded to us and the client has deposited the money in the court and we are in the process of submitting a bank guarantee and getting that money into our account. That amount is about Rs. 11 crores, Rs. 12 crores. But other than that, we have various arbitration cases which are in progress, I won't be able to comment off hand on it.
- Nidhi Padotiya:** Okay. So, like as of now you are having only one arbitration, that is under the process? And in which you have a pending amount to be claimed is pending, right?
- Prasad Patwardhan:** The moment has been deposited in court by the other party, we are in the process of getting it. Once the court proceeds are completed we will get the money in our account.
- Nidhi Padotiya:** Can you share like which arbitration is it?
- Prasad Patwardhan:** This is regarding one project that we executed a long time back, it was under litigation for a very long, maybe close to 20 years. So, I mean, difficult for me to comment on other arbitration matters in this case. But this is one thing which I can share with you, we hope to get about Rs. 11 crores of that arbitration amount in this quarter.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir, what is the net working capital days as of now?
- Prasad Patwardhan:** Net working capital days has gone up a bit, it has gone up by about 8, 10 days. We are at about 115, 120 days as of now.
- Parikshit Kandpal:** In the last quarter it was 100 days, so it has gone up?
- Prasad Patwardhan:** Yes, it has gone up by about 10, 12 days in this quarter.
- Parikshit Kandpal:** Jayanta sir, you were earlier speaking about the BMCT project, so these three projects put together will be how much in terms of value?
- Jayanta Basu:** Around Rs. 3,500 crores.
- Parikshit Kandpal:** Okay. And like how many bidders would be there in this?
- Jayanta Basu:** Around three or four bidders.

- Parikshit Kandpal:** And like, is there any restriction that one bidder will get one order, or like anyone can take away everything?
- Jayanta Basu:** No, there's no restriction as such.
- Parikshit Kandpal:** And likely opening of the bids?
- Jayanta Basu:** Its happening now, in fact, today also we have a meeting.
- Parikshit Kandpal:** Since we have done the earlier job, big job there, so we stand a good chance here to get at least one of the packages? Or is it that one person will get all packages? So how will it go?
- Jayanta Basu:** Naturally we are keen to get some job here. So let us see.
- Parikshit Kandpal:** Okay. Sir, what is the residual value of the Mumbai Metro underground project now?
- Jayanta Basu:** Mumbai Metro we have done 44%, so left out value would be...
- Prasad Patwardhan:** About Rs. 1,500-plus crores is remaining.
- Parikshit Kandpal:** Okay. This profit from associates this quarter was largely from the Mumbai project only?
- Prasad Patwardhan:** Yes, it was mainly from Mumbai project. Mumbai and one or two other projects.
- Parikshit Kandpal:** And this Kolkata Metro, you said 500 is the job left, so our share will be 215 in that, right?
- Prasad Patwardhan:** Roughly, that's correct.
- Parikshit Kandpal:** Just lastly on the building segment, now we have a sizable order book of Rs. 1,000 crores, so what's your view on ramping it up further? Are we restricting it only to the government jobs? Or are we looking to add like private commercial and other like malls, offices or residential, what's your view on that?
- Jayanta Basu:** Actually building job if you see, unless the value of the job is big, when I say big it is plus Rs. 500 crores, there are too many players. And definitely we are not touching any mall. Our focus would be in hospital building and education institutions and government building like high court construction, things like that. And of course airports.
- Parikshit Kandpal:** And just lastly on the Sri Lanka order, how big will be that one?
- Jayanta Basu:** It is within Rs. 1,000 crores.

- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Sir, just wanted to clarify on the BMCT tenders. You said one was a dredging and reclamation tender, and the other was a three tenders which included supply of material and ground strengthening and construction of jetty. So, is it how the breakup is between the tender pipeline there?
- Jayanta Basu:** Yes, the first one dredging, actually, originally it was dredging and reclamation, but reclamation and dredge material is not possible because mixture quality is very poor. So it is only the dredging. Second is, because you are not getting material from dredge, we have to get it from outside. The second contract is to supply the material for reclamation. And third is, from the material on site we have to fill it properly and improve the ground. That is the third one. And the fourth one is the construction of jetty. And the fifth one will come eventually, that is the construction of the yard facility that is concrete pavement. These have to come.
- Ashish Shah:** And the combined value of the first four, you are saying is about Rs. 3,500 crores?
- Jayanta Basu:** Yes, around that.
- Ashish Shah:** Which you have bid for?
- Jayanta Basu:** Yes.
- Ashish Shah:** Sir, secondly, we had this contract for construction of breakwater at Vizhinjam, which also was going slow because of the shortage of the stones and some other issues. So where are we on that? Has that issue been resolved? And is that out of the slow moving order backlog now?
- Jayanta Basu:** See, I think it will ramp up now, lot of discussions are happening with the client, and there are some different ideas.
- Ashish Shah:** Right. So as of now it would still be slow moving on non-moving?
- Jayanta Basu:** Yes, till October it will be slow moving.
- Ashish Shah:** Sir lastly, there have been some cancellations in the Mumbai Metro, MMRDA has cancelled a few contracts for non-performance. So, are we in the fray for those contracts? And what is the value that is there on offer?
- Jayanta Basu:** Initial reaction is, we will not be interested. But subject to further study, merit, demerit.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.



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Prasad Patwardhan: Thank you so much for joining us on this analyst con-call. And I hope we have been able to address all your questions. We look forward to again touching base with you next quarter. Thank you.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. And you may not disconnect your lines.