



“ITD Cementation India Ltd.
Q2 FY2020 Earnings Conference Call”

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**MANAGEMENT: MR. JAYANTA BASU – MANAGING DIRECTOR - ITD
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Moderator: Ladies and gentlemen, good day and welcome to the ITD Cementation Limited Q2 FY2020 earnings conference call hosted by ICICI Securities Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities Limited. Thank you and over to you!

Adhidev C: Good morning. On behalf of ICICI Securities I would like to welcome everyone today to this call. I now like to hand it over to the management for their opening remarks and the key highlights for the quarter. Over to you Sir!

Prasad Patwardan: Thank you Adhidev. Good morning everyone and thank you for joining us on this Q2 earnings call of the company.

Brief highlights of our performance in this quarter. We have reported a consolidated top-line of 710 Crores EBITDA of about 80 Crores and PAT of about 22 Crores. On a quarter-on-quarter basis as compared to the previous quarter our top-line is flat largely because of the monsoon effect which we see in this quarter. On a year-on-year basis our turnover top-line is grown by about 15% as compared to the quarter ending September 2018.

As far as our debt levels are concerned our net debt is about 460 Crores on a consolidated basis, in fact we have seen some reduction in our debt levels this quarter as compared to the previous quarter.

In terms of our order book we have received orders worth about 2000 Crores during the quarter ending September 2019. We received one order from Central Public Works Department, New Delhi. The order value is about 1100 plus Crores for construction of some buildings and in addition to that we have received a couple of large orders from IRCON for construction of railway tunnels in North of Bengal.

Our order book as of September end stands at about 11,050 Crores. Subsequent to the end of the quarter we have received further orders worth about 2000 Crores. We have received one underground tunneling project from Bangalore Metro worth about 1800 Crores and one small micro tunneling contract in Mumbai worth about 250 Crores. Overall our order booking in this six-month period or to date we have booked new orders worth about 5000 plus Crores. This is more than the orders that we booked in the previous financial year, so in terms of the order booking and the order book position, we are at an all-time high.

I will now handover to our MD Mr. Jayanta Basu for his opening comments and then we will take questions.

Jayanta Basu:

Good morning everyone and thank you, Prasad. Prasad has highlighted the financial performance last quarter and as you can see, despite of the monsoon, our revenue was almost same as previous quarter, and the bottomline is also good which means that we have done well during last quarter.

If we go one by one segment wise: total out of 50-odd projects there are around 25-26 projects are of medium to big size. In Marine segment, there are presently 10 jobs under execution. Udangudi so far is the biggest marine job and most challenging as well. The work is progressing well at Udangudi and we collected advance also after a long gap from commencement of the project.

Haldia, the job under the IWAI (Inland Waterways Authority of India) is on the verge of completion. We expect it to be completed by the last quarter of this FY. Vizag, two big jobs we have completed and one of the contracts had been inaugurated by the Hon'ble Minister last month. Port Blair project doing well. Other Marine Jobs, such as Dhamra in Odisha, the steel piles for LNG terminal are under progress. Coming to urban Infra, as you all know we have got three major metro projects, one in Bangalore, another in Mumbai another in Nagpur. Bangalore, we have almost completed 65% of the work and you can see that the projects are getting completed somewhere during next year July to December and construction progress is very good and much appreciated by the locals including the customer.

Mumbai metro the tunnel work is going ahead very well. Last week or so, there had been small leakage in one of the temporary piles while excavating for station work and as a result one two adjacent Buildings developed minor cracks. The matter is now under control and there is no disruption to the work..

Nagpur metro job will be completed by middle of next year last one is at Kolkata Metro underground work which is under hold now, but we will be able to start the work from mid of December. We will be able to start the work and all the matters related to technical and the local issues has been resolved and we have finalized the method with the client, which has been approved by the international consultant and accordingly we are proceeding. So, you can see that there is a definite date when we can start the work, and a definite date when we will complete the work.

Coming to the airport sector, Trichy and Pune they are picking up and after the monsoon Pune was little bit affected because of monsoon but Trichy is going okay, I think both the

jobs are crossing threshold limit 10% .In Hydro and Drill & Blast Tunnel we have got three big jobs recently awarded to us from IRCON, all the jobs belong at Sivok, North Bengal near Sikkim and these at very initial stage .

In building, we secured a major Job in Delhi under CPWD, value around 1140 Crores. As mentioned, with all above the order booking stands more than 11000 Crores till last quarter. With Bangalore metro UG and Mumbai Micro Water and Sewer Tunnel work recently secured, as on date our order booking is more than 13000 Crores.

If you have any other question we will address it. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question answer session. Ladies and gentlemen, we will wait for the moment while the question queue assembles. We take the first question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal:

Congratulations on decent set of numbers. Sir my question pertains to the Kolkata metro, so you said that in mid of December we will start the work so what kind of cost will be incurred to restart the work and how are the terms agreed with the client with respect to the same, if you can just highlight?

Jayanta Basu:

In Last concall also I have more or less elaborated what is the way forward about UG2 that is Kolkata Metro. I would like to explain to you what is happening there. As you know, we are doing two tunnels with two tunnel boring machines, and one tunnel boring machine got stuck up because of the reason what we have discussed last time so the planning is now to start the tunnel boring machine II .after some additional precaution which is underway now and we have targeted to start the tunneling from tunnel boring machine II from mid of December and prior to that we have to go through series of technical matters to be addressed like, how to ensure the similar thing will not happen and what is the timeline so all these things has been addressed and there is a special committee recruited by the metro, foreign consultants they have gone through it so now we are in a readiness to start the work. Good thing about this work is that we need to handle only one boring machine not two. Naturally our setup will be focused to address only one tunnel boring machine but some additional time than original time. . As I mentioned to you last time that it may likely to get extended by one and half years from the original completion date but this job will be done and we hope that the tunneling part at least we will be able to complete by sometime mid of next year and thereafter, obviously there will be some other activity, but the major activity will be completed by mid of next year that is July 2020.

Coming to the cost, see as I mentioned to you that any company like us or for that matter our peer companies, wherever we do such work we keep adequate buffer or contingency in our system to address such issues. In addition to that we have got insurance coverage, we have Contractors All Risk Policy, we have got Third Party Liability coverage, we have got special coverage for the tunnel boring machine as well, we have taken up with insurance company and matters are under discussions, whatever additional cost we may likely incur based on our best estimate are all well protected within the coverage and by the contingency we have provided. I do not want to go to the number here because that will not be fair to discuss the number at this stage, but what I can say that company will not be affected in terms of cost on this project.

Parikshit Kandpal: Now you have to take that TBM I out from the say to make a shaft to take it out so how much time do you think that will take before you can proceed from the drilling part from the TBM II?

Jayanta Basu: TBM II and TBM I they are parallel alignment, so in terms of TBM II there is no issues so TBM II will go now straight and go up the end and then TBM II will take u-turn and come back up to the TBM I, which will take at least eight to nine months time. So, before TBM II comes to TBM I after u-turn the TBM I will be retrieved by a special shaft which we will be constructing now.

Parikshit Kandpal: Okay Sir what will be cost of constructing that shaft Sir I mean it will be huge?

Jayanta Basu: Normally these shafts are very common because in any metro you are required to do such shaft to lower the TBM and retrieve the TBM, ballpark wise around say 20-21 Crores.

Parikshit Kandpal: My second question was basically the soft cost now which like people were got displaced so you said some of them have come back so some people still you are supporting so on a quarterly run rate basis what kind of cost you have been incurring at the surface point basically for these people and also if the building part construction of that houses which have got cracked have you started that part as well?

Jayanta Basu: Look, if you see there are three specific elements of cost, one is to start the TBM II operation we need to do some enabling work. When I say enabling work we need to strengthen the ground little bit more because the aquifer which was hit by TBM I to be taken care by ground consolidation and strengthening the underground soil layers. We have got internal team to do that and the strengthening work just started. In addition, we have also proposed to have some additional safety measures in TBM II mechanism itself, so that it can handle more difficult situations. Some sort of improvement in TBM is going on so that is one part of the cost. Second part is as you rightly said that people who went and

coming back there is some cost related to that and third cost is your shaft, so as I just to said if I add all this cost we have our internal estimation and those costs are all well covered by whatever I have just said to you.

Parikshit Kandpal: At the overall basis this project will be net NPV breakeven now or the residual value I understand would be around 500 Crores and our part will be around 300 to 250 or 300 Crores right in this project, so will it be now net NPV positive project or it will be negative or neutral?

Prasad Patwardan: Parikshit we do not expect any significant impact on the margins of this project because of this incident. As Mr. Basu said we have enough cost provisions and these elements of cost will get covered by the insurance that we have on the project as well. So, going forward we are not expecting any impact on the margins of this project.

Parikshit Kandpal: So, we will see unlike say double digit margin on this project EBITDA?

Jayanta Basu: There will be no impact on EBITDA margin because of this incident at this project.

Parikshit Kandpal: Okay Sir, I have few more questions I will join the queue thank you.

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

Mohit Kumar: Good morning Sir. Sir on the Kolkata metro project, Sir can you say that 100% there is no further cost escalation, there is no cost impact for P&L and secondly when do you to get this full clarity?

Jayanta Basu: Clarity in terms of the timeline and technicality we already have. We know what are the challenges we are going to face and how to address them technically, that has been well addressed. Our proposal for further work has been generally approved by the AECOM, the General Consultant of Metro. We also have our internal assessment of the cost of whatever additional cost may come. We know there will be some delay in overall completion and we should get the extension of time from the client and we are confident that whatever additional costs we may likely incur are well covered by our internal budget and the insurance reimbursements.

Mohit Kumar: You are saying there is no financial implications going forward there is no surprises I believe?

Jayanta Basu: You are right.

- Mohit Kumar:** Sure Sir. Secondly on this, we have got a large decent order book and good order inflow in H1, so how this FY2021 revenue and FY2022 panning out for you, what kind of growth numbers one can look at and is there anything on the margin front which can pick up from here the from the PAT margin?
- Jayanta Basu:** Well in terms of the topline as you have seen that last two quarters we are tried to maintain the same tempo, may be little bit better than that as because monsoon is just over so you can assess yourself on how much would be the topline, margin wise , we will try to do our best.
- Mohit Kumar:** What about the FY2021 Sir? FY2021-2022 given this progress on this order?
- Jayanta Basu:** In terms of the topline?
- Mohit Kumar:** Yes, Sir.
- Jayanta Basu:** See today we have got around 13000 Crores work in hand and naturally all the work if you see normally we are supposed to complete by two to three years time, average two and half years, so in that way you can always calculate what would be the roughly revenue. Definitely it should be more than last year, . And one good thing about these new orders, these all orders if you see are from the good segment like Drill and Blast Tunnel, like airport, like the buildings and marine.
- Mohit Kumar:** Last question Sir, how is the competitive intensity panning out, has it decreased over last two three years especially in underground tunneling?
- Jayanta Basu:** If we see the present scenario in the infrastructure, though I do not want to name, many of the companies are in problem, there are few companies like us and others who are able perform.. We are well placed in this scenario and inflation rates also have come down which is helping us and the market has plenty of jobs, you can pick and choose now.
- Mohit Kumar:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Kirthi Jain from Sundaram Mutual Fund. Please go ahead.
- Kirthi Jain:** Sir with regard to Mumbai metro, we are on a smooth sailing right Sir?
- Jayanta Basu:** Obviously Yes.

- Kirthi Jain:** Okay. Sir with regard to the insurance proceeds from the Kolkata any timeline when you expect Sir the money to be received from the insurance company, initial sum or how would be the timelines when you receive the insurance proceeds?
- Jayanta Basu:** See there are one thing that you must know that insurance reimbursement happens once we incur the cost, okay, and it will be a progressive issue so whatever cost we are already incurred we have requested our insurance to pay us some advance and basically what has happened now we had three or four meetings at very top level of insurance company in Delhi and Kolkata and they have understood our issue., I would not be able to give you a definite timeline because it depends upon how it goes, how the development takes place.
- Kirthi Jain:** Sir in Bangalore, what is the timeline you told for the older project to get completed Sir? How many quarters more?
- Jayanta Basu:** The three projects we expect to complete by next year July that is 2020 July, for the fourth one , which is called R1A , around 15%-20% fronts are still not available for which we have estimated to complete the work by December 2020.
- Kirthi Jain:** Sir can you break the current order book outstanding in these three packages and one package Sir can you break that, what is the rough quantum order of outstanding as on date?
- Jayanta Basu:** The fourth one that is which will complete in December it is around 270-odd Crores balance work and other three around 530.
- Kirthi Jain:** Okay. So today outstanding order from Bangalore is 800 Crores correct Sir?
- Jayanta Basu:** Yes, you are right.
- Kirthi Jain:** With regard to rating which was under RWN, have we been able to satisfy our credit rating partners to upgrade our rating or bring it to back to where it was?
- Prasad Patwardan:** We are in dialogue with all the rating agencies and presently as of today the rating continues to be under watch but given the developments, once the work commence we are hopeful that they will withdraw the rating watch and restore the rating or may be improve upon it going forward. But as of now it continues to be under watch.
- Kirthi Jain:** Okay. Sir last question to Basu Sir, what is the prospect pipeline looking going into the H2 of FY2020 Sir and how much we can more win orders in H2 FY2020?

- Jayanta Basu:** See, if you see, last year in 15 months, we secured around 5000 Crores of job but in this year during two quarters Q1, Q2, have already secured around 5000 Crores of job. Now there are certain big jobs under pipeline from high speed rail , BMCT that is JNPT PSA phase II, some jobs overseas in Myanmar and there are some more building jobs so I think around 13,000-odd Crores are in pipeline on which we are working, bidding is going on.
- Kirthi Jain:** Okay. Sir 13,000 we expect the bids to be finalized in H2 Sir, by March?
- Jayanta Basu:** Yes, status of these bids shall be known by end of this year.
- Kirthi Jain:** Sir you are banking on this Mumbai sewerage project now what is the thing on Mumbai sewerage Sir, Worli or Dadar project?
- Jayanta Basu:** See, that we do not know, now if there is a President rule, so let us see what happens to these that projects.
- Kirthi Jain:** Thanks Sir. That is, it from my side.
- Moderator:** Thank you. Next question is from the line of Tharsan Mani from Law Consultant. Please go ahead.
- Tharsan Mani:** I would just like to know that wherein like when we can expect credit upgrade or anything on the front which is related to Kolkata metro?
- Prasad Patwardan:** Well as I mentioned the information that we are sharing with all the investors from the call the same thing has been shared with our credit rating agencies as well, once they get all the information from our side they will have to again represent to their credit committees and then come back us with the outcome so we are in dialogue with the rating agencies but it is difficult for me to indicate a timeline at this stage. We are also trying to get the rating watch removed and reassessed, we would like to see how it goes now.
- Tharsan Mani:** Okay and any part of the order value will it be kept in escrow account for some time or are we receiving the payment anything on that front?
- Prasad Patwardan:** No, we have already receiving the payment. In fact, this project is anyway being executed in the joint venture with our parent company so in a sense this project is already being ring-fenced, it has got separate bank facilities, it has got a separate bank account and the cash flows from these projects, this project in particular are not used for any other projects.
- Tharsan Mani:** Okay so there is no delay government side as well?

- Prasad Patwardan:** No.
- Tharsan Mani:** Okay. Thank you.
- Moderator:** Thank you. Next question is from the line of Kaushik Poddar from KD Capital. Please go ahead.
- Kaushik Poddar:** See, you just now said that the competitive intensity is coming down and you have so much of orders which probably will be getting so in that case, can we expect your margins to look up in FY2021-2022 onwards, FY2020 onwards?
- Jayanta Basu:** See there is continuous endeavor to do that, that is what we normally do and but at the same time you also have to consider that there are some legacy projects also so whatever new contracts we are getting and whatever we will be getting definitely we will try to maximize our bottomline.
- Kaushik Poddar:** Okay and when will this legacy order play out? Say FY2022 onwards can we expect the legacy order to be there and hopefully our margins are better?
- Jayanta Basu:** That is our focus.
- Kaushik Poddar:** So FY2022 onwards that is what you are saying?
- Jayanta Basu:** Yes.
- Kaushik Poddar:** Thank you Mr. Basu. Thank you.
- Moderator:** Thank you. Next question is from the line of Amish Kanani from JM Financial. Please go ahead.
- Amish Kanani:** Given that we had challenges initially in the Bangalore phase I projects also changing the scope for the work and our margins have muted downward because of that, and then the Kolkata has panned out and there are also issues on the Mumbai side, where there were reports of some issue and there was also RA issues which always going on, the question Sir is, is there as a company are we facing a lot of challenges on the metro side and are we kind of been inspecting the way this has panned out and we should be participating the projects in future for this segment Sir?
- Jayanta Basu:** Let me address all your four issues one by one. First of all, Bangalore the old job is behind us now, , as I have just clarified that I was in Bangalore last week, the job is doing well and we can see that by mid of next year and end of next year all will get completed so that is not

affecting our performance way forward. Regarding Kolkata metro, yes, something has happened and as you know today we know when the job will be completed, what will be the likely cost incurred and how much compensation we may get and what is the contingency provided, and there also we have confirmed news that is what going to affect our bottomline. And third is a Mumbai metro, is a very small incident, on the construction site it happens it is a matter of one or two days the work has already started going on there and Mumbai metro we are doing very well, otherwise. I am not understood the last one what you said, I think Prasad can address it, what is that he said.

Amish Kanani: Sir the question was given the challenges on the metro work side, on of course there were a specific factor affecting this, but very clearly metro work is much more challenging probably we were not earning the margin which we would have initially anticipated, my question is are we reassessing this as a segment or are we in future going to keep some higher margin wider, or we think it is a matter of you know it is a normal business as usual?

Jayant Basu: Yes, it is a valid question and I think I have clarified it during last two three meetings, that if you see the metro there are two various specified segment, one is elevated which is basically bridge and another one is underground and the problem and challenges we faced when it is elevated because if it goes to the congested route and we have got undergrounded utilities like pipeline, waterline etc., which are not chartered, we do not know, so if you see our new order booking, there is no elevated metro we have gone for, we are trying to consciously staying away from that unless and until we see a merit on that. But underground metro if you know the geology, if you got right technique it is a very good segment, we have done very well in underground metro in Kolkata where there is a problem, we are doing very well in Mumbai metro, in past we have done very well in Delhi metro so underground metro we are definitely there and that is why we have taken one more job in Bangalore so we have to see metro in this two perspective not to be so bullish about elevated but yes, underground there are lot of prospect we want to secure some of the job.

Amish Kanani: Sir out of this order book how much is metro and how much is others if you can just breakdown and you mentioned a legacy project, so are we referring to these legacy projects?

Jayanta Basu: Yes, today if you see our order book around 29% is urban infrastructure which is basically MRTS out of that there would be around 12% to 13% elevated which are all old and balance is underground. Marine we have got around 29% of order booking and balance are distributed to the hydro, buildings and tunnels and airport like that..

Amish Kanani: Sir just to clarify Sir, are we seeing that 12% to 13% of the total order book which is in elevated something where we find challenges and other business are as usual?

- Jayanta Basu:** No, you see in elevated also we have got Nagpur metro which is doing well and Bangalore metro whatever challenges we had we have encountered that we have faced it and we have taken care of that.
- Amish Kanani:** Thanks a lot, and all the best.
- Moderator:** Thank you. Next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir we have got lot of underground tunnel projects now, so what kind of capex we have to incur for executing these projects?
- Jayanta Basu:** If you see in underground packages there are two types of underground package, one is for metro where you require tunnel boring machine, and the good thing about that the job which we have got in Bangalore both the tunnel boring machines are available with us free in Chennai which was earlier used in Delhi, we have kept it there in Chennai, we refurbished them so straight away we can use them, I mean that is one good thing we have. Apart from that there are some drill and blast tunnel which we have got in Sivok that is in North of Bengal around couple of machines we have to invest but those are a very small value 2 Crores 3 Crores each so we do not see that much need of capex involved in these new packages.
- Parikshit Kandpal:** Sir the new orders of roughly 5000 Crores which you have received in this financial year to date so you do not think any major capex will be incurred for this execution of these projects?
- Jayanta Basu:** No fortunately not because the TBM machines are available.
- Parikshit Kandpal:** Okay. And Sir we had a net debt of closing of 460 Crores consolidated net debt so how much of that will be in that elevated project, Bangalore elevated project and have we received from there, has that debt come down this quarter?
- Prasad Patwardan:** Yes, debt has come down, in fact post September 2019, the debt has come down by another 30-40 Crores in October and November so we are seeing the Bangalore metro debt getting repaid now, so the debt was as high as about nearly 300 Crores sometime back it is down to about 230-odd Crores now.
- Parikshit Kandpal:** So, half of your debt roughly is sitting in Bangalore one single project Bangalore elevated and it is coming down now.

- Prasad Patwardan:** It is coming down that is correct.
- Parikshit Kandpal:** Okay Sir, that is great. Sir what is the non-funded and funded base limits we have right now and what is the utilization is can you just highlight that?
- Jayanta Basu:** Our fund is, you know we have shared the numbers with you earlier, our fund base limits have been in excessive of at about 800 Crores and non-fund base is about 3000 Crores, the fund based utilization you can see at standalone debt levels, we are utilizing at about 25%-30% of that. Non-fund based limit the utilization is now going up because of all these new orders that we have received. But still we have sufficient room available within our limits to meet this requirement.
- Parikshit Kandpal:** So, what will be your 80%-90% utilization in non-fund?
- Prasad Patwardhan:** No, it is not that high, it is less than that.
- Parikshit Kandpal:** Can you share the number?
- Prasad Patwardhan:** It will be above 60%-65% approximately around 70%.
- Parikshit Kandpal:** We have enough headroom as well?
- Prasad Patwardhan:** Yes, we have enough headroom over there.
- Parikshit Kandpal:** Okay. Now this Kolkata metro you said that once you incurred the cost and then the bills get certified, the client does not pay you but the insurance company once they get the bill they will pay you?
- Prasad Patwardhan:** No, our bills for work done are paid by the client. The insurance company is not going to pay our bills for the work done.
- Parikshit Kandpal:** No, I am saying see, whatever is the escalation on this project, so you are going to claim it from the insurance side?
- Prasad Patwardhan:** No. The cost that we have incurring in relation to this incident so whatever we can claim under the insurance policies we have been in the dialogue with the insurance companies for that but our running account bill, the escalation on our bills that will be paid by the client itself.
- Parikshit Kandpal:** So, but whatever is the cost pertaining to this event you said you are sufficiently covered even from the insurance side right, so why do the client pay for that?

- Prasad Patwardhan:** No, you are mixing the two things. Our bills for work that we do on the project is paid by the client, any cost that we are incurring in relation to this incident, like for reason the rehabilitation of the people for some other cost these will be covered under that insurance policies.
- Parikshit Kandpal:** Okay, so everything for that one and half years the delay which has happen the time and cost overruns because of that so that will be paid by the client you are saying?
- Jayanta Basu:** Let me address this issue. See the first one is the compensation paid to the people who got affected, there are around 70-odd families and each of the family they got paid around 5 lakhs and there are in addition to that there are plenty of shop owners those shops got affected and they also got some compensation. In terms of the cash, entire money has been paid by the client, so I think you are trying to address what is our cash position in terms of the incident isn't it?
- Parikshit Kandpal:** Yes, right Sir.
- Jayanta Basu:** And if you see, I do not know whether I should say it or not, Prasad will talk to you, we have got enough money available in this project so there is no issue on that, and whatever the additional cost we will incur we will be progressively getting some payment from the insurance others we have got our internal accruals to handle it. In addition to that what Prasad was trying to highlight you that the real work what will do with TBM II now that will be taken by the client every month.
- Parikshit Kandpal:** Yes, that I agree Sir, I mean but even the client will pay you for the time and cost overruns of like one and half years the project got delayed that too also will be taken care of?
- Jayanta Basu:** Yes, further what the escalation amount, once you get the extension of time naturally escalation amount will increase they will pay for that.
- Parikshit Kandpal:** And the construction of that overhead building these residential units which have got impacted?
- Jayanta Basu:** That we are planning something which I will not be able to talk to you now but we have specific scheme planned on that issue.
- Parikshit Kandpal:** But that is also covered under the contingencies of the project?
- Jayanta Basu:** Yes.

- Parikshit Kandpal:** Okay. Sir the employee cost has shot up this quarter, any particular reason why?
- Prasad Patwardan:** Parikshit, annual increments and the payouts that has happened in this quarter, so that is the reason, it is a onetime impact, the annual increase is accounted for in this quarter, that is it.
- Parikshit Kandpal:** Sir, share of profits from associates, now you have started booking 5 Crores to 6 Crores on a quarterly basis so are we now comfortable with the surpluses these projects have Mumbai metro, the Kolkata metro that we started booking it?
- Prasad Patwardan:** Well, as I said it depends on the progress of the work, based on the execution of the project we are accounting for those.
- Parikshit Kandpal:** Sir this Udangudi project and just lastly Udangudi project how much revenue would have booked this quarter?
- Jayanta Basu:** I have to check. I will come back on this.
- Parikshit Kandpal:** Thank you. That is all from me.
- Moderator:** Thank you. We take the next question from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.
- S Rajpurohit:** Good morning Sir. Sir with regards to this Mahim incident can you elaborate more because there was news that few of the buildings were damaged there were some evacuation, so can you give a complete summary of the incident Sir?
- Jayanta Basu:** Yes, see, when we build the metro underground there are two components of that, one is the tunnel boring machine which makes the tunnel and then there is a portion which is station, To facilitate the station excavation work, the side needs to be retained by temporary wall from the top, either you call it diaphragm wall or you call it continuous pile wall. In one small location of such wall there have been some leakage of water largely because of the monsoon was very late this time and if you remember that recently also there have been very heavy rains in Mumbai. With leakage of water it also take away some soil and because there is a building which is around 70-80 years old, that building foundation got little bit affected and there have been some crack. As I just mentioned to you that we are monitoring it and the leakage has been completely stopped a week back and there is no leakage now and we are surveying the building and we will, if some repair is required we will do and people will come back.
- S Rajpurohit:** Okay, so it is only one building which got impacted?

- Jayanta Basu:** Yes .
- S Rajpurohit:** Sir, have you done any assessment with regards to, just an assumption that is the ratings are downgraded what could be implication on the available limits and future limits in the cost?
- Prasad Patwardan:** That we do not expect any downgrade in our rating, based on what we have discussed today we are communicating exactly same with our bankers as well as the credit rating agencies, so as of now we do not foresee any down grade in our rating.
- S Rajpurohit:** Sir many companies are facing the payments with regard to some government authority so are we facing similar with any of the government authorities?
- Jayanta Basu:** No, we are not facing.
- S Rajpurohit:** Thank you Sir and all the best.
- Moderator:** Thank you. Next question is from the line of Nitin Gandhi from Shreya Investments. Please go ahead.
- Nitin Gandhi:** Thank you very much for taking my question. Sir is the some of that outstanding book out of 13000 Crores which is there, at least 12500 is where there is nothing, no problem and it will be having at least high single digit to low double-digit margin EBITDA for sure and only the rest of the 5%-6% of the job is where some problem is there, where the liabilities are fairly ensured and we are not likely to run into loss?
- Prasad Patwardan:** The issue that we have on Bangalore metro we have already spoken to you, the losses have already been accounted for in the earlier quarters so the only thing that will happen now is, till completion we will not be recognizing any margin any further margin from Bangalore metro. In the case of Kolkata metro also, as Mr. Basu explained we have taken remedial action and we are working very closely with the client and we expect the work to start may be in a month or so. It is not correct to say that 12,500 Crores of order book is no issue and the remaining 500 Crores, it is just that the margins for these projects, you know like Bangalore metro we are not going to recognize any margin now, but going forward the margins continue to be good, it will not be possible for me to give you the margins that we make on each project, but overall we expect the margin profile to improve, once as Mr. Basu mentioned from FY2022 onwards.
- Nitin Gandhi:** Sir assuming that we do not account for those projects where the margins are questionable but at least rest of the projects well blended single digit, high single digit will keep performing on average blended basis?

- Prasad Patwardan:** Yes, that is our expectation.
- Nitin Gandhi:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Viral Shah from Prabhudas Lilidhar. Please go ahead.
- Viral Shah:** Good morning Sir. What is the capex we did in first half?
- Prasad Patwardan:** Viral can you speak a little louder, your voice is not clear.
- Viral Shah:** Sir what is the capex what we have incurred in the first half?
- Prasad Patwardan:** Well in the first half of the year we have incurred about 20 Crores of capex on a consolidated basis.
- Viral Shah:** And we would be looking at around for the full year around 70-80 Crores, is my understanding correct?
- Prasad Patwardan:** Exactly.
- Viral Shah:** Thank you Sir. That is, it from my side.
- Moderator:** Thank you. Ladies and gentlemen that was the last question, I would now like to hand the conference back to the management for closing comments.
- Prasad Patwardhan:** Thank you everyone for giving a sufficient hearing on this call. We appreciate your continued support to the company and that is all from my side. Thank you so much.
- Moderator:** Thank you very much. On behalf of ICICI Securities Limited, we conclude today's conference. Thank you for joining us and you may disconnect your lines now.