



“ITD Cementation India Limited
Q4 FY2019 Results Conference Call”

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ANALYST: MR. ADHIDEV CHATTOPADHYAY - ICICI SECURITIES LIMITED

**MANAGEMENT: MR. PRASAD PATWARDHAN - CHIEF FINANCIAL OFFICER – ITD CEMENTATION INDIA LIMITED
MR. JAYANTA BASU – DEPUTY MANAGING DIRECTOR - ITD CEMENTATION INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the ITD Cementation India Limited Q4 FY2019 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities Limited. Thank you and over to you Sir!

Adhidev C: Good morning everyone. On behalf of ICICI Securities, I welcome you all of you today to the Q4 FY2019 call of ITD Cementation India Limited. Today from the management, we have with us Mr. Jayanta Basu, Deputy MD, Mr. Prasad Patwardhan, Chief Financial Officer. I now would like to hand over to the management for opening remarks.

Prasad Patwardhan: Good morning everyone and thank you for joining us on this Q4 earnings concall. I will start as a brief synopsis of our financial numbers and then we can take any questions that you may have on our numbers. For the quarter ending December 2018 our income from operations has been Rs.640 Crores as compared to Rs.622 Crores in the quarter ending September 2018 and Rs.575 Crores a year ago in December 2017. Our EBITDA has been Rs.90 Crores in this quarter as against 83 in the quarter ending September and Rs.73 Crores one year ago. As far as PAT is concerned, our PAT this quarter was about Rs.34 Crores as compared to Rs.27 Crores in the quarter ending September 2018 and about Rs.17.5 Crores in the quarter ending December 2017. In terms of business operations we received new orders worth about Rs.1200 Crores in this quarter comprising largely of one airport modernization, Pune airport modernization of about Rs.350 Crores, a couple of marine orders worth about Rs.400 Crores and track laying for the elevated Andheri to Dahisar section of the metro. So all in all it has been a good quarter for us and subsequent to the quarter end we have received one more order of about Rs 470 Crores and we are the lowest bidder on one other marine order worth about Rs.180 Crores.

Our order book a year ago was about Rs.7500 Crores and it has grown to about Rs.9500 Crores as of December 2018. One thing I would like to mention here is that this year is going to be a 15-month period, so although we are declaring the results for Q4 ending December 2018 this is not the year end numbers that we are reporting we are only reporting the numbers for Q4 and our year end this year is going to be March 2019. For the 12 months ending December 2018 our topline has been about Rs.2570 Crores as compared to about Rs.2060 Crores in calendar year 2017 giving us a growth rate of about 25% and in terms of profit after tax we ended 2017 with PAT of Rs.71 Crores, which has grown to about Rs.118 Crores in this 12 months ending December 2018. As far as our debt levels are

concerned our consolidated debt as of December is about Rs.490 odd Crores, which gives us a very healthy debt equity ratio of a little under 0.5 times. So this is all from my side. I will pass on the phone to Mr. Jayanta Basu, our deputy MD who will give you a brief synopsis of our operating performance and then we will take questions from your end.

Jayanta Basu:

Thank you Prasad. Thank you everyone. I will briefly highlight the operations during last quarter and going on now. In urban and MRTS the projects at Bengaluru Metro, Kolkata Metro and Nagpur Metro is on progress. Mumbai Metro this quarter we could achieve the breakthrough, we have completed two tunnels, which is going parallel to each other. This is the achievement, which other companies could not achieve. Bengaluru Metro we have achieved around 50% progress and Nagpur Metro also going well. In terms of underground at Kolkata Metro, there was a critical phase of launching the TBM now that phase has been over, so we are expecting to launch the tunnel boring operation from this month onwards.

Coming to the Marine, presently we are executing work at Haldia, Udangudi, Andaman, Vizhinjam port, Vizag, a newly secured job at Dhamra. So major of this job is Udangudi and Haldia. Udangudi it has picked up as we discussed last time and Haldia also in a very peak situation now, we have almost completed close to 40% of the job and Dhamra and Andaman have just started, even Vizhinjam also just started.

Coming to the other major work, for industrial we have just completed one work at Paradip so there is not much industrial work now. In terms of irrigation we are doing some work in Andhra Pradesh at Pranhita, the work was suspended last quarter, but now we have already started we received payment from the client so these are the major work under progress in operation. Any other questions, we are welcome to address.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Parkishit Kandpal from HDFC Securities Limited. Please go ahead.

Parkishit Kandpal:

Sir Congratulations on good set of numbers. Sir if you can just highlight a segment wise bid opportunity and the pipeline?

Jayanta Basu:

Bid opportunity okay. In terms of the project name I can highlight not in terms of number. Coming to the marine, which is our core business, we have opportunities in Seabird phase III, which is quite big. We have opportunity in Chara under Shapoorji and HPCL consortium. We have opportunity in PSA, but which is not coming now it will come end of the year and there is a big job in river Ganga that opportunity we have. There are two jobs under pipeline one is in Sri Lanka Point Pedro, we have submitted our offer and we are

pursuing the job with some of our Indian big business house in Myanmar that is also marine, so these are the big marine jobs we are pursuing.

Parkishit Kandpal: The cumulative value if you cannot independently disclose, but about how much?

Jayanta Basu: Cumulative value would be around Rs.4500 to 5000 Crores. In urban sector we are pursuing two Bengaluru metro jobs on the ground, we have lost two, another two bid to be submitted next month and there are couple of tunneling jobs drilling and blasting tunnel we call, not only couple, in line there is queue in fact five or six jobs, two jobs in Rishikesh, three jobs in West Bengal, and two are in Bhutan, so like that there is a big prospect in that segment, which is close to 10000 Crores in drilling and blasting tunnel. Coming to the water and addition to the water and sewer we have submitted offer for three sewer treatment plants in Mumbai one is at Dharavi, one is at Bandra, and another is at Worli. So we are associated with one of the foreign conglomerate they are very big in this, so we split this job and price part will be open by maybe another one or two months' time. As you have mentioned last time we have also submitted one offer to the same consortium in Bangladesh, which is going on no finalisation so far, little slow, but they have already been awarded so we are waiting to get them concluded in our favour, so these are the big jobs we are pursuing.

Parkishit Kandpal: Water and sewage combined will be how much?

Jayanta Basu: Water and sewage combined in our portion because these jobs are quite big our portion it would be close to Rs.2500 to Rs.3000 Crores.

Parkishit Kandpal: Based on this pipeline what kind of order inflows we were expecting for this year FY2020?

Jayanta Basu: Yes for 12 months to 2019 it would be around close to 5000 Crores.

Parkishit Kandpal: Okay Sir. That is all from my side. I will join the queue for more questions.

Moderator: Thank you. The next question is from the line of Parthiv Jhonsa from NVS Brokerage. Please go ahead.

Parthiv Jhonsa: Good morning sir. My question is pertaining to the order book. Can you just throw some light on what is the order book as on date Sir?

Jayanta Basu: As on date order book will be close to Rs.10000 Crores.

- Parthiv Jhonsa:** If I am not mistaken you said something around Rs.180 Crores coming from a bidding from Marine and another Rs.400 Crores coming from another place, that is a part of Rs.10000 Crores or that will be in addition to this order book?
- Jayanta Basu:** No, no that will be in addition to the order book, but okay if you see the last quarter our order book is about Rs.9600 Crores thereafter we secured the job in January in Kolkata for Metro that is included in this Rs.10000 Crores.
- Parthiv Jhonsa:** So your debt as on date is around Rs.490 Crores if not mistaken any plans to reduce the debt going forward?
- Prasad Patwardhan:** The large part of this debt is working capital debt and having seen the growth in our order book in the last one year we expect the debt levels to remain at this level or may go up marginally from here.
- Parthiv Jhonsa:** It will be very much under almost 0.5 to 0.7 kind of thing?
- Prasad Patwardhan:** That is our intent we do not like our debt to go up significantly so the intent is to keep the debt under control.
- Parthiv Jhonsa:** Sir what will be the cash on hand as on date any idea?
- Prasad Patwardhan:** Cash on hand would be in the range of Rs.70 to Rs.80 Crores.
- Parthiv Jhonsa:** Okay. Thank you so much Sir and actually off question, this is actually I can even take it offline, but we as a company would love to come and meet you at your office so you can just guide me and we can just fix up a meeting to meet you Sir?
- Prasad Patwardhan:** Yes you can meet at a mutually convenient time maybe next week also you give me a call and we can set up a meeting.
- Parthiv Jhonsa:** Sure definitely Sir. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Good morning Sir. Thanks for taking my question and congrats on a great set of numbers. Sir I wanted to dwell a bit on the share of profit from associates that we have reported in this quarter. So I think after multiple quarters you have reported a profit of around Rs.2 Crores this time, so considering that this would be probably for the Mumbai Underground

Metro project, so what exactly is have we reached a stage in which we can start booking profit in this JV and can we expect similar profits to continue for the next few quarters as well?

Jayanta Basu: See there are underground projects going way, but there are certain critical activity, which is in the station, one of the station we need to dig by drilling and blasting, which we call NATM, which we consider little bit of tricky activity. We hope by June, July or August we will be able to pass through this phase so we are just waiting for that. Once that is gone then we will be able to take a final call on that.

Vibhor Singhal: Considering that we reported losses in the last two quarters what led to profitability from associates in this quarter?

Prasad Patwardhan: As you know we recommend margins based on percentage completion and it depends on the nature of work that we have done during the quarter. That has resulted in this marginal profit, but as Mr. Basu explained there are some critical activities that we need to do before we can start recognizing margin on these projects, so once we reach that stage we will see the margin is coming through on a regular basis thereafter.

Vibhor Singhal: Okay so after that we will have profitability on a consistent level, but till then it might vary between profit and loss maybe in quarterly basis?

Prasad Patwardhan: That is our intention and that is our hope.

Vibhor Singhal: Sir on the consolidated margin level we report a very strong margin of 13.3% excluding other income in this quarter including other income of course margins are even better so again our guidance range remains the same 11% to 12% including the other income or do you see some uptick in which we might be comfortable in upgrading that guidance?

Prasad Patwardhan: No. Frankly we do not give any guidance in the margins but we expect any uptick in the margins closer to 11%, but we have seen the margins moderating going forward.

Vibhor Singhal: Lastly just a bookkeeping question, any of the orders in the order book in which we are facing any kind of challenges or slow execution or all the projects on track?

Prasad Patwardhan: No. As we had mentioned last time we are doing one irrigation project, which is going a bit slow and there are a couple of orders, which are also slow moving, there was one order that we were doing for a subsidiary of IL&FS it is in the state of Tamil Nadu so that one is right now going slow and there is another marine project that we were doing in Mumbai, which

is again going slow because the client is facing some cash flow related issues we are going very slow on that project at the moment.

Vibhor Singhal: One irrigation, the IL&FS order and the marine order in Mumbai right?

Prasad Patwardhan: Yes, irrigation, marine, and the ILFS order, only three orders are going slow.

Vibhor Singhal: Sir would you be able to just quantify approximately how much would the order be totally in the order book as of now?

Prasad Patwardhan: Irrigation is about Rs.800 Crores, the marine project would be around Rs.300 Crores and IL&FS would be it is about Rs.50 to 60 odd Crores.

Vibhor Singhal: Sure sir. Thanks for taking my question Sir. I will get back in the queue if I have anything more.

Moderator: Thank you. The next question is from the line of line of Prem Khurana from Anand Rathi Securities. Please go ahead.

Prem Khurana: Good morning Sir. Thanks for taking my question Sir. Two questions, one was on this order that we have taken in Mumbai the metro rail track order, why are we required to take this order because the size is small and I am assuming it will include large sort of low value kind of bought out component so does it make sense to kind of take these orders we would not be able to doing any significant money on these kind of orders, in any which way we are not working on this line, so does not kind of give me any synergies as well?

Jayanta Basu: There are two aspects to this. First of all in Bengaluru Metro, couple of years back we have done similar work, which was quite big, but that we did with our parent company as a joint venture consortium, number one. Number two is once you start the job you do not have the problem of getting site availability or not because already the project is done somebody has done the civil work it was only the laying of the track, which is another simple work and we have our team who got trained in Bengaluru we want to utilize them and from the business prospect you see all the Metro will have this work, all the cities and all the metros will have track, so there is a big opportunity lying ahead and we have a small team available who knows the job, so all this thing make sense for us to get one or two jobs in this region.

Prem Khurana: What kind of margins would you envisage in these kind of projects, I am assuming margins would be lower than when compared to civil work that we do or metro work?

Prasad Patwardhan: These will be comparable margins because here it involves only trackwork this would be similar margins maybe 10% to 11% margin.

Prem Khurana: Sir on Bengaluru metro when I look at our standalone and when compared numbers with consolidated, your consolidated margin seem to be lower than standalone I assume a large part of your difference is essentially because of the fact that we have this Bengaluru Metro in a subsidiary company, so it is fair to assume if it has still not started booking margins to the potential in Bengaluru is it?

Prasad Patwardhan: That is correct we are still not booking margins in Bengaluru in fact we expect the margins in Bengaluru to come off to some extent. We had mentioned this on the concall previous quarter value as well value of the work it has gone down by about 20%, so that is going to impact our margins to some extent and margins are expected to be lower than what we had earlier anticipated. We are not booking any margins on Bengaluru metro at the moment.

Prem Khurana: So what kind of margin do we envisage in this project now?

Prasad Patwardhan: It will be substantially lower than what we had anticipated to start with so we are still reworking the numbers, but I can tell you that the margins will be lower than what we have anticipated earlier.

Prem Khurana: Is it fair to assume that you would file for a claim because the client has reduced the size so essentially a part of this margin pressure that you would get to have is essentially because of the fact that the size is coming down?

Prasad Patwardhan: Yes we would be filing claims there is no doubt about it, but then as per our policy we do not recognize claims.

Prem Khurana: I understand.

Prasad Patwardhan: There would be claims that we would be lodging on this project.

Prem Khurana: The share of profit from associates apart from Mumbai we also recognized numbers from Kolkata am I right, so does it mean even in case of Kolkata Metro we are not booking any numbers as of now because ideally if we are recognizing numbers from Kolkata there should have been some profits?

Prasad Patwardhan: What Mr. Basu mentioned in Mumbai to some extent it is applicable to Kolkata as well, we are going to be tunneling very deep in Kolkata and that is also under building, which are over 100 years old, there are probably quite a few buildings, which are more than 100 years

old and we will be doing tunneling work under those buildings till we comfort on the progress of the work we will not be recognizing significant margins on that project as well.

Prem Khurana: Okay just to understand this little better so when we bid for these kind of projects underground metro specially what kind of internal targets do we have in terms of margins that we are going to have for these kind of projects?

Prasad Patwardhan: That varies from project to project depending on the geology, depending on the complexity of the work involved so I would not be able to give you a general number of the margins that we generally look at for these projects, it varies from project to project.

Prem Khurana: Thank you. That is it from my side.

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

Keerti Jain: Sir the opening order book during the quarter was Rs.9200 Crores and during the quarter we had an order of Rs.1200 Crores and if you subtract the revenue of Rs.640 Crores the order book should have been higher to around Rs.9750 Crores something like Sir, but any scope change happened and we have reduced it from order books?

Prasad Patwardhan: No. There is no change in the order book. Only thing is because of the accounting treatment some of these associate orders they do not get reported in our topline. Like Mumbai Metro or Kolkata Metro projects although the execution is happening in those projects they do not get reflected in our topline numbers so it may not exactly reconcile if you do that Maths they will not add up.

Keerti Jain: So standalone order book is Rs.9500 Crores right Sir?

Prasad Patwardhan: Standalone order book is about Rs.5800 Crores.

Keerti Jain: Okay Sir. Second thing the L1 is Rs.450 Crores and subsequent JNPT is Rs.180 Crores.

Prasad Patwardhan: As of December we were L1 on about this Rs.470 Crores order, which has been subsequently awarded to us in the end of January and there is one other order Marine order where we are the lowest bidder it is about Rs.180 to 200 Crores.

Keerti Jain: Okay Sir. That is it from my side Sir. These are the two questions.

Moderator: Thank you. The next question is from the line of Dhiral Shah from Asit C. Mehta Investments. Please go ahead.

Dhiral Shah: Good morning Sir. Thanks for the opportunity. Sir what was the total order inflow in 2018?

Prasad Patwardhan: Total order inflow in 2018 was about Rs.4500 Crores.

Dhiral Shah: And you are expecting this to be around Rs.5000 Crores in FY2020?

Prasad Patwardhan: That is right.

Dhiral Shah: Looking at the total order book Sir you have a visibility for next three to four years in terms of revenue so do we expect the 25% growth to be maintained in terms of revenue for FY2020 may be next two to three years?

Prasad Patwardhan: Given our order book these are orders already in the bag we have already received these orders, so it is just a matter of executing these orders over the tenure of each projects, so yes there will be some growth in our topline, but as of now I would not be able to comment on the growth, but the existing order book of Rs.10000 Crores is about three years of execution so there will certainly be growth, but maintaining a 30% to 35% growth maybe a bit difficult, but there will be certainly a strong growth in our topline that will be visible.

Dhiral Shah: So at least double digit kind of a growth is possible right?

Prasad Patwardhan: Yes, double digit should definitely be possible.

Dhiral Shah: Sir what gives you the feeling of moderation in EBITDA margin?

Prasad Patwardhan: Earlier our order book significant proportion was marine projects, which give us better margins as compared to other segments. Presently if you see our order book urban infra and airports is nearly 50% of our order book and marine is only about 30% to 35%, so that is the reason why we have been indicating this for quite some time now that the margins will moderate going forward.

Dhiral Shah: So it will be around 11% right?

Prasad Patwardhan: That is our hope. We hope to make around 11%.

Dhiral Shah: Sir total Rs.10000 Crores you said the execution period is around three years?

- Prasad Patwardhan:** Yes.
- Dhiral Shah:** Okay. Sir total outstanding opportunity the outlook, which you have given is almost between 20000 Crores looking at the marine, urban infrastructure, and water sewage.
- Prasad Patwardhan:** That is correct.
- Dhiral Shah:** Okay. Thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Thanks a lot. Sir my question was mainly on the HAM projects, you mentioned last time that we were looking to bid for a couple of HAM projects in JV with some partners so any finalization of that strategy right now?
- Prasad Patwardhan:** No we are not bidding any HAM projects.
- Vibhor Singhal:** Okay so now we are not bidding for any HAM projects?
- Prasad Patwardhan:** We are not bidding. We are not looking at any projects under NHAI. We may look at some EPC projects, but HAM model we are not bidding for any HAM projects.
- Vibhor Singhal:** Are we hearing anything on the Delhi Metro Phase 4 orders because what we heard was that both state and central government have approved the same and there might be some activity on that?
- Jayanta Basu:** There are two issues. One is this they are ready with their DPR, but because of the election I think it will be a little delay maybe end of this year and the Q4 the tender will come.
- Vibhor Singhal:** But any broad ideas to what kind of work, will it be more of overhead or underground, what could be the quantum of work that could be awarded?
- Jayanta Basu:** Well there are plenty of underground and overhead also, so there will be mixture of that. We really do not know what will be the value, but substantial portion there will be underground at least six or seven underground packages. Each package would be close to Rs.3000 Crores.
- Vibhor Singhal:** Each package could be Rs.3000 to Rs.4000 Crores?

- Jayanta Basu:** Yes.
- Vibhor Singhal:** Thank you so much for answering my questions and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Keerti Jain from Sundaram Mutual Fund. Please go ahead.
- Keerti Jain:** Sir you mentioned in one of the big opportunities that the Mumbai STP, when it is expected to come out and what will be our scope of the job in that, will it be like we will be getting the license of the technology provider and we will be executing the work or how is our scope there in that job?
- Jayanta Basu:** See this is basically EPC design build and again running the plant for 14 years it has got a big technological part involved in this, so this technology will be provided by our partner who is based in France. Our as a company will be doing the civil construction part, that is a broad understanding of the division of the work. There are three jobs, which we are eyeing now I think by March or April it will be known to us.
- Keerti Jain:** Okay Sir. That is the only question Sir.
- Moderator:** Thank you. The next question is from the line of Vipul Shah who is an individual investor. Please go ahead.
- Vipul Shah:** Congratulations Sir for good set of numbers! My question is our order book, associates orders are considered at 100% or in proportion to our shareholding?
- Jayanta Basu:** In proportion to our shareholding.
- Vipul Shah:** Thank you Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Sanjay Dam from Old Bridge Capital Management. Please go ahead.
- Sanjay Dam:** Sir did I understand correctly when you said that the bid opportunities are around Rs.20000 Crores and you hope to kind of roughly Rs.5000 Crores, would that be the strike rate you would be looking at?
- Jayanta Basu:** Yes.
- Sanjay Dam:** Out of the Rs.20000 Crores cumulative value of marine is about Rs.5000 Crores?

- Jayanta Basu:** Right, Rs.4500 to Rs.5000 Crores.
- Sanjay Dam:** How does the competitive landscape look in marine because we are historically a company very strong in that area, has the strike rate there of late been lower?
- Jayanta Basu:** Yes I must admit that last year it has been lower because we lost a couple of big jobs like Trans Harbour Link in Mumbai and Versova-Bandra Sea Link, but still we believe that going forward that whatever jobs we have we hope that we will be able to secure bulk of them.
- Sanjay Dam:** Your order book is very robust, but the commentary between the order book, the topline and the margins are quite divergent so if we are again to go back to the kind of business and margin profile that we have enjoyed then I guess we need to better our strike rate in marine?
- Jayanta Basu:** Yes you are absolutely right.
- Sanjay Dam:** You see that happening in the next couple of years Sir?
- Jayanta Basu:** Yes.
- Sanjay Dam:** That is all from my side. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from Asit C. Mehta Investments Intermmediates Ltd. Please go ahead.
- Dhiral Shah:** Thanks for the followup opportunity. Going into election this year do you see any kind of a slowdown in project announcement or some kind of pause from anywhere?
- Jayanta Basu:** Yes for obvious reason of elections and there this government norms I think from March onwards, March, April, May it will be little slow I mean slow means government jobs will not be awarded, but there are other jobs also, private party out there, but still government jobs will be restricted in terms of giving order.
- Dhiral Shah:** So do you include this kind of a slowdown in your order book inflow?
- Jayanta Basu:** Yes.
- Dhiral Shah:** Thank you Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Aditya Chandrasekar from Edelweiss Financial Services Limited. Please go ahead.

Aditya Chandrasekar: One question on capex, how much capex have we incurred this year or this quarter?

Prasad Patwardhan: Our capex this year has been about a little over Rs.100 Crores in 12 months on a consolidated basis, it is about Rs.110 odd Crores.

Aditya Chandrasekar: How much do we expect in the next quarter and in FY2020

Prasad Patwardhan: Well FY2020, we do not expect significantly larger number for the capex, it will be in line with what we have seen this year unless there is some new project that gets awarded to us which require just to invest in some equipment otherwise we expect a similar level of capex next year.

Aditya Chandrasekar: Just a quick data point, what is the current net working capital cycle?

Prasad Patwardhan: Net working capital cycle will be in the range of 100 days.

Aditya Chandrasekar: And it is expected to remain around this level?

Prasad Patwardhan: Yes, we hope that it will remain at the same level and there would not be any major variation in that.

Aditya Chandrasekar: Lastly what is the current incremental borrowing cost?

Prasad Patwardhan: Incremental borrowing cost we have a consortium of banks which is funding us, each one has a different lending rate, it varies about say about 9 to 9.5% to about 10.5 to 11% or so.

Aditya Chandrasekar: Okay sir. That is it from my side. Thanks a lot.

Moderator: Thank you. The next question is from the line of Shryansh Mehta from Emkay Global. Please go ahead.

Shryansh Mehta: Thank you for the opportunity. Sir what would be the contribution from Bengaluru Metro this quarter?

Prasad Patwardhan: No contribution from Bengaluru Metro this quarter.

Shryansh Mehta: Okay.

Prasad Patwardhan: It is only contributing to the top line. There is no profit that we have recognized on that project.

Shryansh Mehta: Even at EBITDA level you are saying we are making losses?

Prasad Patwardhan: No. EBITDA neutral. It is EBITDA neutral today, but at the PAT level you would not see any margin being recognized in this quarter.

Shryansh Mehta: Sir going forward do we expect to improve or how is it?

Prasad Patwardhan: Yes as I mentioned in the call earlier, we expect the margins to come down by large numbers because the order evaluation which is what I mentioned in the con call previous quarter as well. The order size has shrunk by about 20% or so that is going to have an impact on the margins so we are being very careful on the recognizing margin as I said we will have claims against the client on this project, we would not recognize the claims in our P&L account so the margins are going to be muted on this project.

Shryansh Mehta: Secondly sir can you throw some light on our Mumbai metro project, as you know in first quarter we had JV share of profit was roughly 4 odd Crores in that we also had the tax claim of Delhi Metro project areas. Second again on Q2 negative 0.4 crores and this quarter it is roughly Rs.2 odd Crores just to arrive at a number, can you just probably throw some more light as to what is the exact profitability out there?

Prasad Patwardhan: We have not been recognizing the margins on Mumbai Metro and Kolkata Metro which we mentioned earlier on the call because of the complexity in the project that is involved. In Mumbai for example there is a station building that we need to do by drill and blast method and which is in the heart of the city. Even in Kolkata we are doing underground tunneling and we are tunneling under building which are over 100 years old so because of that we are being very conservative on margin recognition. When we reach a stage where we have reasonable confidence and comfort that this work is behind us then we will see recognition of margins on both these projects.

Shryansh Mehta: And probably sir when would that be?

Prasad Patwardhan: That should or likely to happen from third quarter of 2019.

Shryansh Mehta: Any guidance on margin, the things are behind and we know that substantial things have been done so what could be the rough margin we are expecting out there?

- Prasad Patwardhan:** This is also I answered earlier, we are expecting, I do not think we will be able to sustain the level of margins that you have seen in the past. The margins will be muted and we are looking at around 11% margins or so.
- Shryansh Mehta:** 11% margin. Sure sir. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Sanjay Dam from Old Bridge Capital Management. Please go ahead.
- Sanjay Dam:** Sir, the water and sewage especially the Mumbai project that you spoke about that opportunity, would that project have a margin profile, which is better than 11% kind of a margin profile?
- Prasad Patwardhan:** See this tender is now under consideration, technical bid has been evaluated, so we would not be able to comment on that, but it will be in line with the margin what we do in other projects.
- Sanjay Dam:** So the revenue recognition the metro projects whenever the margin recognition whenever you do it so if all goes well would that be accretive to kind of 11% that you spoke about or considering that all will go well?
- Prasad Patwardhan:** As I said it is difficult to give you a segment wise or a project wise margin profile, but overall on a consolidated basis we are looking at double digit margin and the number that I indicated earlier that is something that we aspire or we hope to achieve based on our present order books. Tomorrow if we get a couple of large marine orders or there is a change in our order book profile then you will see an improvement in the margins, but as of now based on the order book the way it is striking right now we are looking at double digit margins of around 11% or so.
- Sanjay Dam:** The consolidated debt or the debt equity that you all have 0.5 or 0.6 in between that, would that significantly change where you to get a couple of marine orders, large marine orders?
- Prasad Patwardhan:** We do not expect it to change significantly, but then if the order book grows then we would have to deploy some money, to get the project started we need to deploy and that could increase our debt level, but again we do not expect a significant increase in the debt level.
- Sanjay Dam:** Marine are the kind of these opportunities more back ended in 2019 Sir?
- Jayanta Basu:** Actually because of this code of conduct due to this election coming I think this will come only in third or fourth quarter.

- Sanjay Dam:** Sure finally the 100 days of working capital that you spoke about net working capital this is versus what at the end of last quarter?
- Prasad Patwardhan:** Last quarter also it had been similar level. There is no significant shift in our working capital these days maybe last quarter or even before that.
- Sanjay Dam:** Sure. Thank you and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Pratap Chandan from Dean Capital Investments. Please go ahead.
- Pratap Chandan:** Could you throw some light on what is the order book now and if you could give us a little idea on what is the breakdown of the order book?
- Prasad Patwardhan:** Order book as of December was about Rs.9500 Crores, 30% of that comprises of urban infra metro projects, which we are executing in Bengaluru, Mumbai, Nagpur, and Kolkata. Urban infra is about 38%, marine is about 34%, irrigation and tunneling is about 15%, airport is 10%, largely these are the four main segments in our order book today and there are a few smaller other projects.
- Pratap Chandan:** That is all from me. Thank you.
- Moderator:** Ladies and gentlemen that was the last question for today. I would like to hand the conference over to Mr. Chattopadhyay for closing comments.
- Adhidev C:** On behalf of ICICI Securities, I would like to thank everyone for joining us on the call today and I would now like to hand it back to the management for closing remarks.
- Prasad Patwardhan:** I would like to thank ICICI Securities for hosting this call and thank you investors for your continued support to our company. Thank you very much.
- Moderator:** Thank you. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.