



“ITD Cementation India Limited Q2 FY21 Results Conference Call hosted by ICICI Securities Limited”

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MODERATOR: **MR. ADHIDEV CHATTOPADHYAY – ICICI SECURITIES**

Moderator: Ladies and Gentlemen, Good day and welcome to the ITD Cementation India Limited Q2 FY21 Results Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Adhidev Chattopadhyay. Thank you and over to you, Sir.

Adhidev Chattopadhyay: Good morning everyone. On behalf of ICICI Securities, I would like to welcome everyone today on the ITD Cementation Q2 FY21 Results Call. Today on the management we have with us Mr. Jayanta Basu the Managing Director and Mr. Prasad Patwardhan – Chief Financial Officer. I would now like to handover the call 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 Q2 FY21 Earnings Call. I will start with a brief commentary on the result for this quarter and then hand over to Mr. Basu for his comments. Our income from operations on a consolidated basis for this quarter came in at about 550 crores which was nearly 40% higher as compared to the quarter ending June 20 the previous quarter. We are still not completely out of the impact of COVID and during this quarter we have reviewed the impact of COVID on our projects. They are obviously going to take longer time to complete the projects because of the lockdown and the impact of the lockdown on our projects.

So, we have done the reassessment of the cost and the recoverability of the additional cost that we have incurred on the project and basis on that we have reported a loss for this quarter which has come in about 50 crores. Our gross debt as at September was 550 crores and net debt is about 335 crores. As far as order book is concerned as of September our order book is 11,915 crores and it comprises mainly of urban infra projects which is at 34%, marine is about 26%, hydro and irrigation is 20%, building is about 8% and airports is about 6%. During this quarter we have secured order worth about 1,050 crores and after the end of the quarter we have secured one order from the Indian Navy it is a marine order worth about 1,150 crores and in addition to that we are L1 in one order worth about 350 crores. I will now hand over to Mr. Basu for his comments and then we will take your questions.

Jayanta Basu: Good morning to all of you. This is Jayanta Basu and thank you Prasad for brief on our financial performance. I will now quickly take you through our operational performance for the quarter ended September 2020. As you can see that our revenue has grown as expected by around 40% from last quarter from June to September which is in line with our expectation, but still that is not the normal revenue what we get in the previous years. Last year during this

time our revenue was around 25% more than this quarter, but I strongly believe that things are back to normalcy and coming quarters will be much better than this quarter. Hopefully by end of this year we are back to the normal situation.

Now if you go through the major projects what we are executing quickly, I will run through them in brief.

Mumbai Metro hopefully by December this year we will be able to complete the entire tunnel which is around 11 kilometers so that will be a good achievement by us.

Similarly Kolkata Metro Underground as you know that we have gone through some difficult times last year. I am glad to say that we have completed one tunnel last month which is a good achievement and we have overcome all the technical challenges there.

Bangalore Metro Underground is just picking up and the progress will ramp up very soon from January onwards. We expect the revenue from this project as we will be starting the tunnel work during January or February next year.

Similarly, we are executing a couple of elevated Metro jobs in Bangalore, Nagpur and Kolkata.

Bangalore Metro progress is around 80% to 85%. Nagpur Metro is on the verge of completion and Kolkata Metro new job we have just started recently.

In marine, Udangudi remains the biggest among all the on-going marine projects are doing okay.

In addition to Udangudi we have got Andaman project which almost 75% job has been completed.

Myanmar is overseas job as you know, but unfortunately due to strict lockdown imposed by Myanmar government there was no progress in the month of September and part of August and even in the month of October. We have just resumed the work couple of days back and hopefully that it will pick up from now onwards.

There are couple of new jobs in marine, we are just starting and as I have told you last time, we have got the award from Seabird project that is Indian Navy it is a big job for us around 1,140 crores. It will be a good marine job for us in coming days and the inauguration has already taken place so that is good news. In addition, to Seabird there is small marine job at Krishnapatnam from Adani that also we have started.

These are the main jobs we are executing and in addition to that we have got airport Trichy and Pune jobs which have picked up as labour force has come back so things are back to the normal in terms of execution.

As you know that we had to take some downside to our bottom line due to the effect of COVID associated cost. As Mr. Prasad has explained in his opening remark. We did a detailed analysis of the cost to completion of all projects that has affected us during this covid period, but that does not reflect on our overall financial performance as the jobs are picking up definitely and we will do much better in the coming quarters.

I would like to also highlight little bit about the major job prospect. We have today bidding pipeline around 20,000 odd crore jobs under various stages, either prequalification or tenders in progress or tenders submitted. Out of this there are couple of jobs we are L1. One is PWD at North Bengal around 375 crores as a marine job in Mumbai port which is around 150 crores. These jobs are expected to get converted into order any time.

If you see the bifurcation of the new projects bidding from Metro it is around 10,000 crore, from industrial project around 3,000 crores, from marine around 6,000 crores and all together around 20,000 crore job we are now pursuing. So all these new prospects and good work in hand will definitely improve our performance from next quarter onwards and I strongly believe that it will be much better in next year or in the end of this year.

So with this, I will conclude the operational briefing. Now I will like to have questions from your end. I will hand over to Mr. Prasad.

Prasad Patwardhan: Adhidev request you to start assembling the queue so that we can take the questions from the people on the call.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Parikshit D Kandpal from HDFC Securities. Please go ahead.

Parikshit D Kandpal: Sir my first question is that Prasad earlier said that about 50 crores of COVID provisioning has been done during this quarter, so if you can give us segment wise like which are the key segments which were impacted and any one or two major projects where the maximum hit has come from?

Prasad Patwardhan: What I have said is we have reported a loss of 50 crores in this quarter. I have not said that we have taken a hit of 50 crores. See the way the process works, we have assessed where we are on the various projects that are under execution and what will be the additional timelines and the additional cost that will be incurring and whether that cost can be recovered from the customers or not. So based on the assessment we have reviewed the project CTC and the outcome of that review is the numbers that you have seen that we have reported for this quarter. It will be difficult for me to give you a project wise or segment wise number of the impact of COVID because all these projects are at different stages of completion so the impact on the numbers will vary from project to project.



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- Parikshit D Kandpal:** What is the impact on Bangalore elevated Metro projects? because I think that was the major pain point we have seen so what would be the quantum at least in that project?
- Prasad Patwardhan:** Yes, in Bangalore we have taken a hit of about 30 to 35 crores in this quarter and there is an impact on the other projects as well, but yes Bangalore has impacted us by about 30 odd crores.
- Parikshit D Kandpal:** Another project would be like lesser amount so 10 crores to 15 crores kind of numbers because I just want to arrive at if this assessment was not done what would have been our normalized EBITDA to get a sense on that?
- Prasad Patwardhan:** Parikshit it will be difficult to comment on that because we have not done what we have done is what we need to do at the end of the quarter and reassessed all our projects. So had the impact of COVID not been there what would have been the numbers I mean it will be a theoretical exercise, but will be difficult to comment on that at this stage.
- Parikshit D Kandpal:** Any hit taken on the marine projects?
- Prasad Patwardhan:** We have reviewed the CTCs of all the projects where we have project contingency or some provisions in the project the recoverability of the additional costs that we have incurred. We have reviewed that as well again with covid associated impacts. Parikshit it will be difficult to comment on this on a project by project or even a segment wise basis.
- Parikshit D Kandpal:** The thing is that only other companies also which have reported numbers I mean YTD very conservative when it comes to provisioning of cost and reviews, but as of now we have not seen any major trends of COVID related provisions, but my sense is so I wanted to arrive at was that we have seen series of setback in last four, five, six quarters and it has been happening on a regular basis rather than exceptional basis. So going ahead I think Jayanta earlier said that from here on things are looking better. The damage already like whatever escalations have already been done or is there something more to come from here on if we are not having a second wave given that if we do not have a second wave, so have we taken the hits on all the projects to the maximum extent and there is something left to be provisioned?
- Jayanta Basu:** See there are mix of the clients, some client there are provisions that they reimburse part of the COVID related cost. Some client does not have any provisions and even in some clients also they will reimburse only for the lockdown period not thereafter. So we have done a detailed analysis of the entire projects what we are executing and only thing wherever we have got reimbursement like some cost reimbursed by some metro jobs that we have taken as a pluses, but minuses due to COVID is much more than the pluses. We have done a detailed analysis and we have taken a hit of the additional cost. Going forward unless there is a further stoppage of work due to COVID, I do not see that there will be any problem.

Parikshit D Kandpal: And the composition is now slightly moving towards marine jobs which have been our best segment in the entire order book with respect to margins and execution.

Jayanta Basu: Yes, if you see there are two big marine projects and also another major project, Bangalore metro underground which is around 1,700 crores. Project Seabird is 1,200 crores and Myanmar is over 500 crores. These jobs are definitely going to do better in coming days and may be from end of this year or beginning of next year we will see the result of that. Udangudi, the progress is now doing around 30 odd crore per month which will immediately ramped up to 55 to 60 crore by another two to three months' time. So once those four projects picks up and then Delhi project also starts things will radically change that I can tell you.

Parikshit D Kandpal: And on the Adani project in Sri Lanka sir last time you had mentioned about that project and the local government that has cleared the project. Any thoughts of progress on us getting that project?

Jayanta Basu: Very much we are there. In fact we have submitted our technical proposal to them it is not matter of G2G. Basically Indian government, Japan government and Sri Lanka government are doing the balance formalities and we expect that from February onwards the project will start the tendering process and we have already started on this prospect very much.

Parikshit D Kandpal: And this will be like how much to be precise

Jayanta Basu: This is a construction of new terminal as we have done, we are doing it at Myanmar.

Parikshit D Kandpal: Price wise I am saying sir price wise how big it would be?

Jayanta Basu: Around 1,500 crores.

Parikshit D Kandpal: And just lastly on the high speed rail any role we have there to play anything you are looking to bid in the coming months in the packages which will come up in the future?

Jayanta Basu: High speed rail it was quite expected that what has happened it was known to us that this is going to happen like that. On coming packages where Japanese are involved we have already tied up with them I do not want to reveal the party once those packages come we will be definitely there.

Parikshit D Kandpal: What will be it; will be EPC or what kind of packages like this tie up is what kind of like expertise or what kind of packages?

Jayanta Basu: When the substructure completed there will be track laying work which is very highly specialized job and those track laying job will be done totally by Japanese company so we have tied up with some of the company from Japan.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhilpCapital. Please go ahead.

Vibhor Singhal: Sir just wanted to dwell a bit further on the margin and the provisions that we have taken so I just wanted to understand the temporary or permanent whatever the nature of these provisions, so on one hand I wanted to understand is that the provisions that we have taken are basically as you mentioned are the kind of cost that we believe will not be reimbursed by the clients and one net-net we had that they will have to take on our own expenses, so as of now these are provisions so is there any likelihood of them being reversed in the later quarters or do you believe this is a very good final assessment and this is the cost that we will have to bear?

Prasad Patwardhan: No what we have done is you know there are some calls that we have incurred now with the project execution timelines are getting extended there will be additional cost that we may have to incur. Simultaneously, we are also discussing with the clients for reimbursement and recovery of the cost that we are incurring. So we have taken a view on what we expect will be the outcome on completion of the project and based on that we have accounted for the numbers which you are seeing in our results, but we are certainly hopeful of getting some more compensation from the client and when that happens you will see a reversal in some of these provisions, but that may not the timelines or the quantification of that number is uncertain at this stage, but I am sure that will happen in the forthcoming months and quarters.

Vibhor Singhal: I know we had the conservative accounting policy, but none of the companies or peers who had the same clients, same projects that they are working on have had these issues that they are not being reimbursed. I know four segments is one segment which is kind of different, but other than overhead underground all these metro project I think the same client and same projects are being taken up by the company so either sir we can expect that they will come up with some loss or provisions may be in the later quarter is there something different in the contracts that we have signed, is it more like a fixed price contracts that we have signed and they did not have those escalations or those time delay over the provisions, why is that they are such a dichotomy between what we are reporting and what all others are reporting?

Prasad Patwardhan: My understanding is that the contracts that are executed between the client and the contractors those are similar contract there is no change in the contract clauses as such, but frankly I would not like to comment on how the other companies are accounting or recognizing revenue as we have been transparent and clearly told you the process we are following and how we have arrived at the numbers that we have reported.

Vibhor Singhal: Also sir now that we have basically done almost 1,000 crores of revenue the sort of 1,000 crore of revenue any likelihood or any guidance that you can provide us to what is the kind of top line we would be looking at for the full year?

Prasad Patwardhan: We have already spoken about that in our earlier calls so we are hopeful that we have seen a 40% growth in our top line in this quarter as compared to the previous quarter and we are certainly based on the order book and the orders that we have secured. We are hopeful that we will substantially exceed this 40% growth in the next two to three quarters as well so we are hopeful of a much better performance in the coming two quarters in this year.

Vibhor Singhal: But we would not be able to give it as a FY20 what we will do in FY21?

Prasad Patwardhan: There will be hope to do better than that actually, but this lockdown is something if there is a second wave of COVID or like Mr. Basu mentioned in Myanmar we have lost nearly one and half or two months because of the strict lockdown enforced in Myanmar these things are not in our control so we would rather prefer not to give any guidance, but based on the order book and what we are seeing actually on the ground we are quite certain or quite hopeful that we will have a better performance in this Q3 and Q4 onwards.

Vibhor Singhal: As of now what will be the labor availability at our side and as a percentage what will be your execution levels vis-à-vis pre COVID levels?

Jayanta Basu: Good news that the labor availability is almost there pre COVID level so that is no more an issue. At execution level also we should achieve what we used to get pre COVID level.

Vibhor Singhal: We expect that to get back let us say the end of this quarter or will it Q4 before we reach those levels?

Jayanta Basu: Q3 will be touch and go, but Q4 definitely we will get.

Vibhor Singhal: And sir despite the labor availability I believe because of the social distancing norms and other precautions that we have to take our execution probably would be impacted because labor availability is bad at those levels?

Jayanta Basu: You are absolutely right, you see it is not only the lockdown, it is the restricted way of working. There are lot of restrictions nowadays and which amounts to less productivity. So all those costs what you see today we have taken and factored those issues.

Moderator: Thank you. The next question is from the line of Manish Sonthalia from Motilal Oswal PMS. Please go ahead.

Manish Sonthalia: I am saying that whether we are able to receive the insurance amount that was due to us for our Kolkata Metro?

Jayanta Basu: Yes discussions are going on so far. We have not received any amount, but discussions are going on and it is quite positive. Hopefully something will happen by end of this year.

Manish Sonthalia: How much of a percentage do you think will be realized and how much of haircut that we will have to take?

Jayanta Basu: I will not be able to comment on how much percentage we will get, but I do not think there will be haircut because there are other provisions as well?

Manish Sonthalia: How much was our claim for this?

Jayanta Basu: Around 200 odd crores was our claim.

Manish Sonthalia: So you expect this to be received by the end of this year?

Jayanta Basu: Not all because it will take some time, some part we may get, but it will continue for some more time.

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

Venkata Subramanian: Predictably actually this question is also along the same line as what other participants said, is it our conservative approach that led us to provide this 50 odd crore and what is the possibility of recovery out of this?

Prasad Patwardhan: Well I would not call it conservative it is probably a realistic approach that we have taken and as I said and as previous person as well we are hopeful of recovering larger amounts from the clients on account of what cost we have incurred on COVID. I do not think it will be prudent first to account for that or take that into consideration when we do the reporting of the results at this stage, but we are certain as Mr. Basu mentioned some of the clients are reimbursing us the cost and there are discussions underway with the clients for reimbursements of these costs that we have incurred or we will be incurring. So we are certainly hopeful that we will recover some money from the clients, but we have not taken or factored that in our results for this quarter.

Venkata Subramanian: Sir as much as this is an act of God either from the clients or from insurance company is there some scope?

Prasad Patwardhan: No I do not think insurance companies will come into play over here.

Venkata Subramanian: For loss of profit kind of insurance?

Prasad Patwardhan: No, I do not think this will be covered by the insurances that we have on the project and with the clients most of these government clients and they will be governed by the contract that we have executed with them. So we will have to go by the contractual provisions and based on the directives of the Central Government some of the projects are reimbursing us the cost that we

have incurred especially during the lockdown period. So these discussions are on and you know these matters will not get resolved very quickly. We will keep pursuing these matters with our clients and they are also responding positively to it. So let us see how it goes.

Venkata Subramanian: Just a small observation Mr. Prasad we have had fairly frequent may not be very frequent bad debt provisions etcetera. Do we need to reassess the way we choose clients, and what exactly has led to this I am taking back let us say few quarters back also?

Prasad Patwardhan: No the only big write off that we had in this year was on account of ILFS. I do not think anybody expected whatever happened with ILFS to really happen may be five years back or even the three years back for that matter. So we are prudent in the selection of our clients if you see the contracts that we are executing now most of the clients have their finance tied up. So either through international funding arrangements or Indian domestic financing arrangements as well. So we tried to be prudent and we ensure that the clients that we work for have their financial tieups in place so that our payments are not delayed.

Moderator: Thank you. The next question is from the line of Sandeep Verma from Axis Bank. Please go ahead.

Sandeep Verma: Sir, just one thing the delay in execution was on account of COVID and social distancing norms so are not your projects covered under force majeure clauses?

Prasad Patwardhan: No there are force majeure clauses, but some clients will reimburse us force majeure works two ways basically either whatever cause we incur are on to our account and whatever delays the clients faces is to his accounts or there may be some provisions by which we get reimbursed because of the Central government directives or whatever. So it will be driven by the contract conditions basically.

Sandeep Verma: How much percentage of your total project order book is covering a cost escalation clauses?

Prasad Patwardhan: Most of our projects have cost escalation clauses.

Sandeep Verma: So because of social distancing norms since the progress of the projects are slower, so whether these things will not be covered under your cost escalations?

Prasad Patwardhan: Cost escalation clauses typically cover any increases in the cost of material or labor or petroleum products like diesel etcetera. So we would not be compensated for the delay because of COVID.

Sandeep Verma: The time extension cost is not covered?

Prasad Patwardhan: That is correct.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial Services. Please go ahead.

Amish Kanani: My question sir is you know in the current environment when existing facility itself is not properly utilized maybe since last two months things have changed and it has improved a lot, but while clients are taking on the large infrastructure like metro and port, are you seeing a sense of urgency in closing the projects or there are lot of discussions and they are taking time to close these projects, so in that context how would you see the pipeline conversion to order kind of time cycle and how do you see for us and do we see a different pattern for projects which is a floated by a private party versus project which is funded by state or central government versus a multilateral agency sort of things, so how are we placed in some of these projects and how do you see the outlook for say next may be next 6 to 12 months whatever is the visibility?

Jayanta Basu: Actually if you see from March onwards the delay in converting the tender to order was mainly because of the lockdown issues where movement of the people was restricted and many things got delayed, but as an intention if you see the allotment of jobs after the lockdown is over has been converted to orders which is happening quite fast and as a result of that we have secured several projects including recently Seabird project. We have also secured one of the government jobs in Kolkata Metro and there are many jobs tendering going on quite fast. Other companies are also securing. So I do not see there is much of changes in that on post COVID issues. We see a good bidding pipeline in Metro Projects especially underground and elevated in all the major cities like Patna, Chennai, DMRC in New Delhi and even in Kolkata. Yes, I do not see there is any problem with that in terms of getting tender converted to order.

Amish Kanani: And sir about progress in terms of differentiation of a project which is funded by the state government versus the central government versus say multilateral agency, any differences in terms of its hurriedness to complete the orders versus the payment cycle sir?

Jayanta Basu: As far as payment cycle is concerned again it got delayed three to four months back because of delay in operations and procedural issues, but otherwise we do not see any problem because nowadays the payments are coming on time. State government we do not work much so we will not be able to comment otherwise, central government projects and jobs which are multinationals like Port of Singapore, DP World etc. which we are dealing with them and there are no fund issues.

Amish Kanani: So barring strong second wave of COVID we think life should be normal by fourth quarter onwards?

Prasad Patwardhan: Yes if there is further lockdown then we do not know if there is no lockdown then it should be okay like what it was before COVID situation.

- Moderator:** Thank you. The next question is from the line of Parikshit D Kandpal from HDFC Securities. Please go ahead.
- Parikshit D Kandpal:** Jayanta you said that the execution will pick up and now we are back at pre COVID level so we still maintain that fourth quarter run rate will be 1,000 crore plus?
- Jayanta Basu:** Parikshit it is difficult to predict a number, but hopefully yes it will be close to that.
- Parikshit D Kandpal:** Sir, what is the quantum of the orders which have not moved in to execution leaving aside the L1 orders so out of the total order backlog right now. So what will be the value of orders or work has still not started?
- Jayanta Basu:** See one is your project Seabird which is 1,200 crores we just received the order we have not started and CPWD Delhi though we got the order long time back because of local issues and they have some issues related to clearance of the existing front so that has not started and one new job we have got from Kolkata Metro which has just started so put together it will be around close to 3,000 crore new order which is yet to start in full swing.
- Parikshit D Kandpal:** By when do we expect these?
- Jayanta Basu:** Third quarter end yes Kolkata Metro will start otherwise Delhi and Seabird will start from fourth quarter.
- Parikshit D Kandpal:** And we will have some revenue contribution coming in from this quarter?
- Jayanta Basu:** Yes fourth quarter.
- Parikshit D Kandpal:** What you said that by December the tunneling job will be over so I think large part of contingency should be taken care by then, what could be the unrecognized profits sitting in this project which is yet to be recognized?
- Jayanta Basu:** This is basically if you see that there is a typical work we are doing which is called NATM that is we have to do a station I do not know which station it is Sitladevi there we have to do some drilling and blasting underground and this process is going on quite okay and we are hopeful that it will be also completed properly so once that is done large chunk of contingency can be released, but when that will happen we do not know it may be under fourth quarter or even next year also.
- Parikshit D Kandpal:** And how big is that contingency as of now?
- Jayanta Basu:** That I do not know, but I will check up.

- Parikshit D Kandpal:** And this last thing on the insurance part which was discussed earlier on the Kolkata Metro. Earlier we had said that about 100 crores of profit, 100 crores of cash is sitting on this project so which can be utilized, so do you still expect that kind of utilization to happen after the insurance settlement?
- Jayanta Basu:** Yes, if you see that not 100 crores I think around 200 crore FD is lying there in the bank for this project despite of having lot of additional expenditure. So and on top of that whatever we get from insurance which is also going quite positively so it is in a nutshell it is like that.
- Parikshit D Kandpal:** So this 200 crores will be utilized or we could have savings on that once the insurance claims comes in?
- Jayanta Basu:** This 200 crore we have kept as a provision because job has to go by another one and half year and so large chunk of that should come to our system any time.
- Parikshit D Kandpal:** So you may not require that bigger provisioning as of now which was earlier guided 200 crores may be that could be a big positive.
- Jayanta Basu:** Yes.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi Share & Stockbrokers Limited. Please go ahead.
- Prem Khurana:** Sir two questions so one was if you could share your thoughts on the new Bengaluru underground metro project what is the status, have you been able to mobilize the side and are the TBM right now by when do you expect to kind of start booking numbers from this project?
- Prasad Patwardhan:** Well Bangalore Metro is fully equipped now the mobilization works which involves temporary side installation like development of casting yard, development of other facilities that has been fully completed. We have already commenced the permanent work that casting of the segments and we have already started doing piling work activity where 100 pile has been completed. TBM modification is going on and we were little slow because of COVID at Chennai workshop and we are hopeful that TBM will be able to be at site from January so that we can start work from February onwards.
- Prem Khurana:** And sir we will follow the same cycle that we follow with Mumbai Underground Metro because we were initially not booking margins at this project because we want to finish on critical activities and then only start booking. Do we have any critical activities here as well wherein I mean the margin recognition would be somewhat taken a bit at a later date or is it I mean somewhat better place than Mumbai underground metro and you would be able to book margin on the recurring basis?

Prasad Patwardhan: No, I think Bangalore metro we do not have such problem it should be quite standard like other projects.

Prem Khurana: Prasad, just a small clarification I think somewhere in your remarks you said we booked around Rs. 30 crore of provisioning for Bengaluru metro elevated in this quarter on reassessment of cost to completion, but when I look at a income statement I think we have booked almost around so we book profit share of from which is a positive number and I was on the impression I mean we generally get to have this from Mumbai underground does it mean Mumbai underground metro has not seen any provisioning I mean although Bengaluru elevated has seen some, but Mumbai underground has not seen anything is it that right?

Prasad Patwardhan: No in fact there is a difference in the way we account for the Mumbai metro project where we do not have a majority or we do not have control. In Bangalore metro project there will be exercise control.

Prem Khurana: So I am saying I mean in Bengaluru elevated which is considered to be kind of somewhat simpler project when compared to underground we have made some provisions I mean Rs. 30 odd crore what you said and when I look at share of profit which is a positive number which essentially appears to have come from Mumbai underground and since it is still positive, but does not it mean we have not made any provision in Mumbai underground we do not feel any need to kind of make any provision for cost to completion in Mumbai underground metro?

Prasad Patwardhan: No, in Mumbai underground also we have considered the additional cost on account of COVID, but as Mr. Basu mentioned earlier we have some contingency provisions in that project. So it gets set of partly against those contingency provisions and there is no impact on the bottom line that we report on the Mumbai metro project.

Prem Khurana: Any specific reason for rise in your net debt number? I think it has gone up from 300 odd crores this last quarter to this quarter almost around 385 crores, I think you said in your opening remarks?

Prasad Patwardhan: No, as the new order start getting executed we need to fund the projects in the initial period before the billing cycle can be picked up and start so that is the reason for the increase in the debt.

Prem Khurana: So is it fair to assume that I mean from some of these new projects you are yet to draw your mobilization advance you have been committing money from your pocket which is why the debt has gone up?

Prasad Patwardhan: That is correct.

Prem Khurana: And if you could share your thoughts on margins I mean going ahead because now there cost would have been changed for some of these projects or initially we used to guide anywhere

between 9% to 10 odd percent kind of margin on a recurring basis I mean would that number go down because there is a change in your cost estimates now for the entire order backlog based on the COVID impact?

Prasad Patwardhan: No I do not see any major or any material deviation or change in our margin numbers in the margin profile we expect it to remain more or less what we have indicated in the past we do not expect any material change over there.

Moderator: Thank you. As there are no further questions I would now like to hand the conference over to the management for closing comments.

Prasad Patwardhan: On behalf of Mr. Basu and myself I would like to thank you all for joining us on this Q2 Earnings Call. We wish you all a very Happy Diwali and stay safe and thank you so much.

Moderator: Thank you. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.