Ahluwalia Contracts (India) Limited

Engineering, Designing & Construction

Dated: 19-11-2026

To,

Compliance Department
BSE Limited,
25th Floor, P.J. Towers
Dalal Street, Mumbai - 400001

Compliance Department,
National Stock Exchange of India Ltd.
5th Floor, Exchange Plaza,
Bandra Kurla Complex,
Bandra (East) Mumbai- 400051

Compliance Department,
Calcutta Stock Exchange Ltd.
7, Lyons Range, Dalhousie,
Murgighata, B B D Bagh,
Kolkata, West Bengal – 700001

Sub: Disclosure of the Transcripts of Conference call held on dated: 16-11-2026 at 4.00 p.m. under Regulation 30 read with Para-A of Part-A of the Schedule III of the SEBI (LODR) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulations 30 read with Para-A of Part-A of the Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcripts of the Conference call held with the Analyst /Institutional Investor Meetings, on dated: 16-11-2026 at 4.00 p.m. pertaining to Second quarter of the Financial Year 2026-27.

The above details are also being made available on the Company's website at www.acilnet.com

This is for your kind information and record please.

For Ahluwalia Contracts (India) Limited

(Sanjay Bharti)
Company Secretary
Encl.: **As Above**

Registered. Office: A-177, Okhla Industrial Area, Phase-I, New Delhi-110020
Phone: 011-49410502, 517 & 599 Fax: 011-49410553
Email ID: cs.corpoffice@acilnet.com; Website: www.acilnet.com
(Corporate Identification Number: L45101DL1979PLC009654)

"Ahluwalia Contracts (India) Limited

2Q & 1HFY27 Earnings Conference Call"
November 16, 2026

MANAGEMENT: **MR. SHOBHIT UPPAL – DEPUTY MANAGING DIRECTOR – AHLUWALIA CONTRACTS (INDIA) LIMITED**
MR. VIKAS AHLUWALIA – DIRECTOR – AHLUWALIA CONTRACTS (INDIA) LIMITED
MR. SATBEER SINGH – CHIEF FINANCIAL OFFICER – AHLUWALIA CONTRACTS (INDIA) LIMITED

MODERATOR: **MS. DEEPASHREE JOSHI– AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Ahluwalia Contracts (India) Limited 2Q & 1HFY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Deepashree Joshi from Ambit Capital. Thank you, and over to you, ma'am.

Deepashree Joshi: Good afternoon, everyone. On behalf of Ambit Capital, I thank the management of Ahluwalia Contracts (India) Limited for the opportunity to host their 2QFY27 Earnings Conference Call. To discuss the results, I am pleased to welcome Mr. Shobhit Uppal, Deputy Managing Director, Mr. Vikas Ahluwalia, Director, and Mr. Satbeer Singh, Chief Financial Officer.

Now, I invite the management to take us through the key highlights of the quarter, post which we will open up for Q&A. Thank you, and over to you, sir.

Shobhit Uppal: Thank you. Good afternoon, everybody. Ahluwalia Contracts (India) Limited has announced its financial results for 2QFY27. During 2QFY27, the company achieved a turnover of INR1,463.67 crores and a PAT of INR55.86 crores, compared to a turnover of INR1,125.81 crores and a PAT of INR11.48 crores in 1QFY27, and a turnover of INR1,177.30 crores and a PAT of INR79.05 crores in 2QFY26.

The company has registered a growth of 30.01% in turnover and a growth of 389.2% in PAT during 2QFY27 in comparison to 1QFY27, whereas a growth of 24.32% in turnover and a degrowth of 29.33% in PAT during 2QFY27 in comparison to 2QFY26. EPS of the company for 2QFY27 is INR8.34 as compared to an EPS of INR1.70 in 1QFY27 and INR11.80 in 2QFY26.

During 2QFY27, the company's EBITDA margin was 7.58%, compared to 4.29% in 1QFY27 and 10.92% in 2QFY26. PAT margin was 3.78%, compared with 1.0% in 1QFY27 and 6.63% in 2QFY26. In 1HFY27, the company achieved turnover of INR2,589.48 crores and PAT of INR67.28 crores, compared to turnover of INR2,182.18 crores and PAT of INR130.16 crores in 1HFY26.

The company's EPS for 1HFY27 is INR10.04, compared to INR19.14 in 1HFY26. During 1HFY27, the company's EBITDA margin is 6.15% compared to 9.85%, and PAT margin is 2.57% compared to 5.88% in the corresponding period of the last financial year.

The company's net order book as of September 30, 2026, is INR19,627.92 crores, to be executed over the next 3 to 3.5 years. Total order inflow during FY27 till September 30, 2026, is INR558.07 crores. At present, we are L1 in one project amounting to INR379.00 crores.

We are ready to take questions now.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parvez Qazi from Nuvama Group. Please proceed.

Parvez Qazi: So our execution has been pretty decent in 1H, but there obviously have been hits on the EBITDA margin front. First, could you share your views on this performance? Second, how do we see the rest of FY27 and FY28 panning out, in terms of revenues and margins? That's the first question.

Shobhit Uppal: I'll answer that. Or do you have any other questions? Take first, continue, or do you want to go on?

Parvez Qazi: No, no.

Shobhit Uppal: Yes.

Parvez Qazi: Please go ahead, sir.

Shobhit Uppal: So, in the last call after 1Q, I enumerated the reasons for the slowdown. Q2, as you can see, the numbers are significantly better than in 1Q. Due to the concentration of our projects in North India, primarily in NCR, Q1 numbers were hit because some of our bigger projects started off

slowly for reasons beyond our control, as well as due to labour costs being revised upward significantly by the various governments in NCR.

The slow-moving projects have since started yielding revenue. That's why there is a significant increase, as I told you, in Q2. Hence, because of Q1 only, the H1 numbers of this financial year sort of pale in comparison to the last financial year. I think the worst is behind us. Going forward, we expect to maintain similar margins in this financial year, wherein we are also factoring in the impact of NGT shutdown.

As you know, construction in NCR is shut at the moment on account of GRAP guidelines, and it is expected at least 1 to 1.5 months is expected to be lost. The silver lining for us is that our largest project in NCR is in Delhi. That is exempt from the GRAP guidelines, which is the Central Vista project. There, work is going on full speed. But there will still be an impact on turnover in Q3. We're factoring that in, and our guidance for the rest of the year is that our EBITDA margins will be similar to what we've achieved this quarter.

Parvez Qazi: Yes, sir. And in terms of revenue growth for FY27 and FY28, how do we see that?

Shobhit Uppal: So a 15% guidance was given last time by me. I'm sticking to that as far as the revenue is concerned. It will be in FY28; it will be between 15%-20%.

Parvez Qazi: Sure. The second question is, last year also, our Q2 revenues were higher than Q1, and then we saw a decline in Q3 again because of these GRAP guidelines. Traditionally, I mean, for most EPC companies, Q1 used to be better, then we used to see a slowdown in Q2, and then Q3 used to be better than Q2. Now, with this set of challenges that we see in NCR every year, do you think our quarterly numbers have now kind of inverted, so that maybe Q2 is going to be better than Q3 every year?

Shobhit Uppal: Yes. Actually, traditionally, Q3 and Q4 in the glory days always had a significantly higher run rate. Q3 now, if you look at last year, there was a 10% dip in our turnover, and that also impacted our margins. This year also, we're expecting a similar dip, but some of it may be made up by the Central Vista project, where we expect to log a turnover of close to INR150 crores in this quarter too, Q3. But yes, Q2 and Q4 going forward, if the pollution levels continue, I think Q2 and Q4 are going to be the best quarters going forward in a calendar year.

Parvez Qazi: Last question, any guidance for the order intake front would be helpful. Thank you.

Shobhit Uppal: You said further intake, order intake is what you're asking? Sorry.

Parvez Qazi: Yes, sir.

Shobhit Uppal: We have given a guidance of about INR4,000 crores. We have close to about Post-September also, we won an order which is our existing client, Times of India Bennett University, of INR350-odd crores. So, we are close to about INR1,000 crores till date. My guidance last time was INR4,000 crores. We are sticking to that.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please proceed.

Shravan Shah: Hi, sir. Sir, just to clarify, are we saying that Q3 and Q4 would be better than Q2?

Shobhit Uppal: What we are saying is that Q3, as far as the top line is concerned, is likely to dip by up to 10% due to GRAP. Q4, of course, will be the best quarter, but our margins would be similar to what we have achieved in Q2.

Shravan Shah: Okay, so 10% dip, that is on a Y-o-Y basis and not on Q-o-Q?

Shobhit Uppal: No, actually 10% dip on Q-o-Q. If you see – so we are expecting a turnover of about INR1,300 crores in Q3.

Shravan Shah: Yes.

Shobhit Uppal: If you see Q3 of last financial year, it was about INR1,100 crores. From that, the turnover will go up. Yes.

Shravan Shah: Yes, Yes. So that was -- and then the Q4 definitely should be better versus the third quarter?.

Shobhit Uppal: Yes. Yes.

Shravan Shah: So in that case, then we should be doing even higher than the 15% that we are looking at, because INR2,600 crores we have already done. Maybe a close to 18%+ kind of a number should be there.

Shobhit Uppal: We could achieve that, but my guidance is for 15%. It will be definitely 15%+.

Shravan Shah: Okay. Okay. Got it. Second, sir, this quarter we have achieved 7.6%; that number will be there for the second half. For FY28, then how can one look at it? We are looking at 15%-20% growth.

Shobhit Uppal: Yes, as I said, we are looking at a 15%-20% top-line growth. Maybe, as I said last time, there are a number of headwinds and unpredictable factors that come into play. But yes, we are looking to grow our EBITDA margins by at least a percentage point in FY28.

Shravan Shah: Okay. So maybe 8.5% is doable.

Shobhit Uppal: Yes, 8.5%-9% is there.

Shravan Shah: Okay. Okay. Got it. Got it. But is there any positivity that you are saying, but that this 8.5%, 9%, what could be the possibility that we can reach to a 10% kind of a close to a double digit? Or is it very, very difficult to say right now?

Shobhit Uppal: It's difficult to say right now.

Shravan Shah: Okay. Okay. Got it. Second, sir, on the Central Vista, in the third quarter you said INR150-odd crores kind of revenue that we are looking at. So for full year, last time we were saying of INR700 crores and next year INR1,000-odd crores. So that number will remain intact?

Shobhit Uppal: Yes. In October, we achieved a turnover of about INR43 crores in Central Vista, which is likely to go up to about INR60 crores this month and another INR60 crores or INR70 crores next month. Going forward, it would be about INR200 crores+ in the last quarter. So that's the initial target.

Shravan Shah: Okay. Okay. Got it. For India Jewellery Park, what kind of revenue are we looking at for this year and next year?

Shobhit Uppal: Vikas, will you answer that?

Vikas Ahluwalia: Yes, I can answer that. Shravan, come again please. Regarding what is the-

Shravan Shah: For Mumbai Gems & Jewellery, in 1H, how much revenue have we done, and in the second half., how much are we looking at, and for next year, how much can we look at?

Vikas Ahluwalia: For Jewellery Park, theoretically, it has not started, Shravan. [Inaudible 0:15:5 4] client, but they are sorting some internal things.

Moderator: Sir, can you please come closer to the device?

Vikas Ahluwalia: What I am saying, Shravan, is that we still have not received the notice to proceed from the client. The client is still sorting out some internal issues regarding their permissions and some matters. We are not expecting any turnover this quarter either.

Shravan Shah: Okay, sir. In the fourth quarter, can we look at some revenue still?

Vikas Ahluwalia: January, I do not want to put in a number. Even after we get notice to proceed, the actual work will take about three months to start because there is still a lot of land on top that has to be cleaned up, which the client has to do. You know that in Mumbai there was a recent ban on some earthwork and dumping and all that across. That is still being sorted out.

Shravan Shah: Okay, got it. What about the CSTM railway station? So there, previously we were looking at close to more than INR500 crores for this year and INR700 crores in next year.

Vikas Ahluwalia: So CST is now picked up, Shravan. CST is now picked up. Last month we did about INR80 crores from INR50 crores. Actually, just to let everybody, the gathering here on call, just to let them know that CST billing is actually a bit different because railway processes work differently.

Our actual work done is close to INR100 crores or INR110 crores, but its conversion into billing is lower even in other, like normal EPC, CPWD contracts, their payment systems are little different. But yes, last month we did about INR80 crores in turnover there, which is registered and billed.

Shravan Shah: Okay. For the full year, this year, '27-'28, how do we look at revenue in terms of P&L booking for us?

Shobhit Uppal: Shravan, we are going to be doing a billing of about INR150 crores in Q3, as far as CSMT is concerned, and we are going to be doing a billing of close to about INR200 crores in Q4.

Shravan Shah: Okay. Got it. And last...

Shobhit Uppal: As Vikas said, the numbers, the progress here has picked up. Most of the designs have been approved now, and we're on track to achieve the numbers we projected in the last call.

Shravan Shah: Got it. Lastly, sir, balance sheet, I think mobilization advance, retention money, and unbilled revenue.

Satbeer Singh: Mobilization advance is INR939 crores, and retention money is INR437 crores.

Shravan Shah: INR387 crores, sir.

Satbeer Singh: Unbilled revenue is INR925 crores.

Shravan Shah: Sir, retention, you said 387?

Satbeer Singh: Retention is 437.

Shravan Shah: 437. Okay, got it. And mobilization, how much is interest-bearing out of 939?

Satbeer Singh: 32%.

Shravan Shah: 32%?

Satbeer Singh: 32%.

Shravan Shah: Okay, got it. And the capex for full year, how we can look at, given that the first half we have already done INR142 crores?

Satbeer Singh: Yes, first half INR142 crores, and this quarter INR66 crores. We are expecting around, maybe around INR225 crores would be there for the whole year.

Moderator: Thank you. The next question is from the line of Love Gupta from Counter Cyclical Investments. Please proceed.

Love Gupta: Sir, thank you for the opportunity. I just had a suggestion. Our stock is trading at a three-year low almost, and we have a strong treasury balance of close to INR1,000 crores. Why don't we consider a share buyback? This would be a great time to do that, and it is a tax-efficient way for the company now to reward shareholders, and also perpetually increases EPS. Why don't we please consider a share buyback?

Shobhit Uppal: That's a suggestion that we'll take into account, but the rationale behind not really focusing on this is that, going forward, supply chain being impacted, and timelines getting constricted. Our focus is how to increase efficiency, and we want a war chest, which we have already accessed, to ensure that we have better control over the supply chain, so that we can squeeze our timelines and increase our margins. That is our single-minded goal, to improve our top line as well as bottom line.

Love Gupta: I understand, sir, but just please take this into consideration whenever possible.

Shobhit Uppal: Thank you. Thank you so much.

Love Gupta: Thank you.

Vikas Ahluwalia: Hello? Yes. Vikas here. Hello?

Love Gupta: Hello. Yes.

Shobhit Uppal: No, no. We will take that into consideration. Thank you. Thank you for the suggestion. Yes, thank you for the suggestion. Sorry. Yes.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclical PMS. Please proceed.

Keshav Garg: Sir, congratulations on a good quarter-on-quarter recovery. Sir, but I am comparing our numbers with our smaller listed peer, which is B.L. Kashyap. Sir, so there, apart from good revenue growth, sir, their EBITDA has also doubled year-on-year. Their EBITDA margins have converged with ours, whereas before we had a superior margin profile. So, basically, why exactly, I mean, if some factors are hitting, then they would be the same for all the peers in the industry. Are we getting a specific hit from a factor that isn't applying to them?

Shobhit Uppal: First of all, thank you for your words, for your compliment. Look, B.L. Kashyap is a very respected peer, and at one point, both companies were very similar. The DNA remains similar, and their execution is very similar to ours. But today, they have a much smaller base. We, with a larger base, obviously have higher costs, as you would know.

In this quarter, if you do a deep dive on our numbers, we registered higher EBITDA despite our staff costs going up by an absolute amount of about INR12.5 crores, right? Our staff numbers are more. PF outlays have also gone up. In September, I think we have paid close to INR3 crores more than the corresponding quarter or the preceding quarter, as far as PF is concerned, due to changes in PF laws, right?

EPF wage ceiling has gone up from INR15,000-INR25,000. Now, virtually 85% of our labor force and staff are coming under the ambit of PF. So, all these statutory issues plus the extra costs on account of our scale, so to say. Our IDC is, I think if we were to do a comparison, if you were to do a deep dive of IDC costs between DLF and ours would be higher.

But that doesn't necessarily mean that we are more inefficient than him. We are just factoring in, we are building up costs, we are building up capacities because we are at an inflection point. By the end of this year, we would be close to about INR5,500 crores. So, we are building up to make that quantum jump.

That is why, for a fair comparison, I could say the same thing if we compare our EBITDA to Larsen & Toubro. Larsen & Toubro is at 5.5%. We are at 7.5%. Again, the same logic applies. That applies between me and DLF. I am on the lower end of the totem pole when it comes to EBITDA.

Keshav Garg: Understood, sir. Also in our annual report, I could see that we have an investment property of around INR85 crores-INR90 crores, and on which we made a loss of INR10 crores in FY26 and INR5.3 crores in FY25. Sir, why don't we just monetize this investment property and use the proceeds in our business?

Shobhit Uppal: Sir, no, sir.

Satbeer Singh: It's INR85 crores. He is going to be now INR34 crores. No, sir. So, during this year, at 31st March 2026, that was INR34 crores. I think so. There is now INR88 crores-INR89 crores, and still we are at INR34 crores. Actually, INR24 crores. I think some INR20 lakh. Might be.

Keshav Garg: Sir, actually what I am referring to is the investment property worth INR84 crores as on March 31, '26. On this investment property, we earned a rental income of INR6.25 crores.

Satbeer Singh: Okay. So you are asking about the Kota?

Keshav Garg: Yes.

Satbeer Singh: You are asking about Kota. Yes. To explain, this is on account -- this is just the Kota project. We basically have built up commercial mall here, and we are earning revenue from there, and this is around INR1 crores 80 lakh this quarter also. So, this year, we are expecting revenue of around INR7.5 crores from this project.

Keshav Garg: Understood.

Satbeer Singh: Hope you got your answer?

Keshav Garg: Yes, sir. I got it, sir. Lastly, I wanted to understand, sir: I think you alluded to the fact that our contracts were pass-through, or that the price hike depends on the WPI, which hardly moved in the first quarter, whereas on-ground costs actually went up far more than the WPI. Sir, so there is a lag effect, sir. But now I believe that WPI is going up quite significantly. Sir, so can we expect progressively better, at least better, compensation from the clients and, consequently, better margins on a quarter-on-quarter basis?

Shobhit Uppal: Yes, that has played its part in Q2 also, as I said during the last investor call. Generally, the lag is there at the beginning, and by the end of the project cycle, the two graphs sort of match. So, it started picking up. We have two kinds of built-in escalation in our contracts. In government contracts, it's based on WPI, as you just said.

In private contracts, there are basic rates for these volatile materials, be it cement, RMC, or steel, right? After the last major increase due to labour, we have reached out to all our clients. Some clients have already agreed to labour escalation as per the minimum wage index, and talks are ongoing with the others as well.

Keshav Garg: Sir, so in the new orders that we are bidding for, are we providing for these things, sir? Because state governments, before every election, compulsively increase the minimum wages regardless of the economic logic. That being the case, these freebies, etcetera, are not going to stop. So, have we made some changes in the kind of agreements we are signing with our clients?

Shobhit Uppal: Yes, we have. As I mentioned last time around, in order to consolidate, that is why I had revised in the last con call my order inflow to about INR4,000 crores, because we wanted to pick and choose going forward, our order book being healthy enough. We are now, whenever we are bidding, making sure we don't bid without the escalation clause, be it factoring this escalation, be it labour escalation, or material escalation.

Moderator: Thank you. The next question is from the line of Mahesh Patil from ICICI Securities. Please go ahead.

Mahesh Patil: Sir, my first question is what we mentioned in the last call, right? That the labour cost had gone up in Haryana and U.P. by about 35%-40%, right? So I just wanted a status update, although you did mention that some clients have agreed to absorb it. So, wherever they have agreed, is it full absorption of this cost? What percentage of our order book can we say has agreed to absorb this escalation?

And secondly, sir, on material cost this quarter, I think, if I consider Y-o-Y, material cost has gone up significantly compared to labour cost. Just some colour on that: what is happening in this quarter?

Shobhit Uppal: So first, escalation. As I said, almost, if I was to put a number and a proper context to this, almost 50% of our clients where the labor escalation clause did not exist have agreed for this going forward, right? To pay escalation as per the minimum wage index. As regards our higher, yes, our material costs are higher by about 4 to 5 percentage points. That is primarily due to the mix of the projects that we are executing at the moment.

Some of our bigger projects like Central Vista and CSMT, as Mr. Vikas Ahluwalia mentioned in an answer to an earlier question, that these are EPC contracts, these are not item rate contracts. Sometimes the materials, when they come in, the way the billing is done, it's just about the billing covers the cost of the materials coming in, right?

In an item rate contract, the item is billed fully. By that, I mean it's not only the material cost; it's also the fixed cost and the profit. In a life cycle, it kind of balances out as a project, say in Central Vista or CSMT, as the structure would be nearing completion, our structural items would be fully billed, right?

So then, when the full bill will be there on the value of an executed item, the material percentage would automatically come down. So what you would see going forward in the next six to nine months, for some of these larger projects, is that the material percentage would come down as a percentage of total revenue.

Mahesh Patil: Okay, sir. Got it. Secondly...

Shobhit Uppal: Is that clear?

Mahesh Patil: Yes, sir. Absolutely clear. My second question is regarding our order book. We have around half of the order book in the NCR region. To understand, what drove this margin improvement from

Q1 to Q2? Can we also get a rough breakup of revenue in NCR versus non-NCR revenue? A rough breakup percentage range would be fine. From Q1 to Q2, what has changed?

Satbeer Singh: Delhi NCR revenue would be...

Shobhit Uppal: You said INR525 crores. These are approximate figures. You can mail to us, but approximately we can tell you, out of the total revenue of about INR1,463 crores, about INR520 crores would be NCR.

Mahesh Patil: And sir, what would be the rough percentage in Q1?

Shobhit Uppal: Q1, I think our total turnover was about INR1,125 crores, and it would be about INR350 crores. But these are approximate figures. We do not have that number in front of us right now.

Mahesh Patil: Got it, sir. Okay. You have highlighted that there would be around, I think, that Q3 there will be 1-1.5 months of ban you are expecting, right, in NCR, and still you are expecting INR1,300 crores of revenue. So which are the key projects where you see this high momentum coming from?

Shobhit Uppal: As I said, if we were to take a similar run rate, I am taking a 10% degrowth in our top line, but Central Vista is exempt, right? So we are expecting a turnover of about INR150 crores from this one project alone. Then we have our hospital project in Gurgaon, which is also exempt. So we are expecting about INR50 crores from this particular project.

And we are hoping that at least half of December in Gurgaon, which means the blanket ban is in Delhi, but as far as NCR is concerned, as things stand today, the blanket ban is till 20th of November. Post that, the position of AQI will decide when the work will start. So that is why, and we are also basing our guidance on last corresponding quarter of the last financial year, where there was a bit of a degrowth. There was a degrowth of about 10 percentage points, and we stuck to that.

Moderator: Thank you. The next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.

Vaibhav Shah: Yes, sir. When you mentioned that the blanket ban is only in Delhi, does that mean that from 20th November it will change to an AQI measure?

Shobhit Uppal: I don't think the ban is because of the Delhi government; it's very confusing. The Delhi government came out with a blanket ban till the end of January, right? Then the central government issued a statement that, in NCR, projects will remain closed from 5th November to 20th November.

As of today, in the rest of NCR (other than Delhi), what we have in writing from the government is that the projects are closed until 20th November. As I said, we don't expect the AQI to improve; we expect it to go up, or the deadline to be extended. But hospitals and the Central Vista project will be exempt. Work is going at full speed on these two projects of ours.

Vaibhav Shah: But in Gurgaon, all projects are exempted or only Central Vista and Max Hospital?

Shobhit Uppal: No, no. Gurgaon, all projects are closed as things stand today. Gurgaon, Noida, till 20th November, all projects are closed, other than Max Hospital.

Vaibhav Shah: Okay. Sir, secondly, on margins, you mentioned that Q2 was 7.6%, and we expect a similar number in the second half as well. Next year, you mentioned that we are looking for a range of 9%. Earlier, we were targeting a higher number. Apart from this issue in ban for the second half, for next year, what is the key reason for we not going closer to double digits or even 9%, 9.5%? Are there any projects where we see that the margins which you were earlier factoring are not expected to come, or some other reason?

Shobhit Uppal: No, we are just conservative in our guidance. And as I said, Q3, which traditionally has always been a higher run rate quarter, now we expect that every year it is going to be impacted. Then, as I said, there are lots of headwinds, lots of unpredictability. Over the last two years, one thing or the other has cropped up every quarter, which tends to have an impact. That is why I think it would be foolhardy to talk about double-digit margins.

That is why I am giving guidance of 8.5%-9%, which should be done considering our strong order book. We have also factored in increased costs which we incurred in the last two quarters, because we are planning to ramp up our top line. What I am trying to say is, the inefficiencies from factoring in growth would be reduced in the next financial year.

Vaibhav Shah: Okay, but there is no project-specific issue as such?

Shobhit Uppal: No.

Vaibhav Shah: Sir, on employee cost, we saw a sharp increase in Q2, to INR133 crores. Do we expect it to come down in the second half? Was it because of some bonus and salary hikes?

Shobhit Uppal: No, it won't come down, but it's mainly because of the increments we announced. It's not going to come down, but as a percentage, as our turnover goes up, it will come down. This is what I was alluding to when I was talking about preparing for the next phase of growth.

Vaibhav Shah: Okay, got it. Sir, on other income, we have seen a sizable number in the first half. Do we expect it to further improve given our improved cash balance?

Shobhit Uppal: It would be a similar number, approximately.

Vaibhav Shah: Okay. Sir, is there a possibility that the Gems & Jewellery project may get cancelled, or do we not see that as a possibility?

Shobhit Uppal: No, no, that's not a possibility.

Vaibhav Shah: Is it a fixed-price contract or a variable-price contract?

Shobhit Uppal: Vikas, will you answer that? Vikas, are you there? Can you check your figures?

Moderator: Vikas sir, can you please answer?

Shobhit Uppal: We'll -- there is an escalation clause in that.

Vaibhav Shah: Okay, so despite the significant delay that we have seen post-bidding the order, we do not see any impact on margin given the escalation?

Shobhit Uppal: Yes.

Moderator: Thank you. The next question is from the line of Lakshminarayanan KG from Tunga Investments. Please proceed.

Lakshminarayanan KG: Thank you. A few things. For the capex we are doing, may I know which areas we are actually adding capex to? And my second question is that I think there will be U.P. elections that are scheduled, maybe in Q4 or maybe in Q1 of next year. Is our guidance taking into account any disruptions whatsoever from the U.P. elections? That's my second question.

And the third question is: what is the mix of fixed-price projects and variable projects in general for us? What is the mix of item rate projects in terms of the unexecuted book? Finally, for the unexecuted book, how long do you think it will take? What is the minimum and the maximum? Sorry?

Shobhit Uppal: No, I think there is some background noise from somewhere. Please go ahead. We heard your question. The last one, yes, please go ahead.

Lakshminarayanan KG: Yes, the last one is: the total unexecuted order book- what is the minimum and maximum timeline during which this would be executed? It is four to...

Shobhit Uppal: Okay. So that is all? There are four questions here in all. Anything else?

Lakshminarayanan KG: No, no, that's...

Shobhit Uppal: Okay, first of all, capex. So the capex is primarily on equipment such as cranes, batching plants, loaders, and shuttering materials, right? Which is basically now specialized shuttering materials. Aluminium shuttering is required for high-rise buildings, or system shuttering is required for large table forms for commercial buildings. The capex is on that.

To clarify, at the beginning of this year, we said capex would be in excess of INR300 crores. Last quarter, we toned it down to about INR220-odd crores. We are sticking to that number. As far as U.P. elections are concerned, we have one major project outside NCR in U.P.; Noida is technically also in U.P., but we consider it part of NCR. We do not expect any major disruption.

As far as Varanasi is concerned, our stipulated completion date is June '27. Still, the client, as it behaves for the central government, wants it completed earlier because they want to inaugurate it before the elections. Most likely, we will complete it by the end of January or before February. So, no disruption there also. As far as fixed price versus variable is concerned, Satbeer?

Satbeer Singh: Fixed price, 9.19% fixed price contracts are there. And EPC is around 46%.

Shobhit Uppal: Coming to timelines, the unexecuted order book is about INR20,000 crores, which, as I mentioned earlier, is to be executed in about 3-3.5 years. The earliest, like, say, if you look at the Central Vista project, the timeline is about two years, right? This, we can say, is about six months ahead of that. So, in another 18-20 months, we will be completing this job. So, that is the earlier bit. Have I answered all your questions?

Lakshminarayanan KG: Yes, Yes. Just one question regarding the U.P. election. See, the project is one, but I am talking from a resources point of view. Do you see disruptions from resources travelling back and forth? Is that something

Shobhit Uppal: Can you just repeat that question, please? Sorry.

Lakshminarayanan KG: During the U.P. election, resources or people staffed on projects may also have to travel. So, as projects get completed, do you see any disruptions in people travelling?

Shobhit Uppal: I think most of our workforce comes from Bihar, Bengal, Jharkhand. Very little of our workforce comes from U.P. I believe you are referring to that, and we experienced something similar in Bihar and Bengal in the last financial year. No, we do not expect a major disruption because U.P. does not contribute much in terms of our workforce.

Lakshminarayanan KG: Got it. And one question structurally is that our depreciation keeps going up and our margins are also, the operating margins are also remaining stagnant. I think you mentioned that there is little room for that to go up. Therefore, usually companies do more capex and depreciation so that, I mean, not more capex, so that the business gets better margins.

Do you think it is structurally this is where we are headed, where we need to do a lot of capex to really push ourselves in the bigger league, and therefore, but the margins also would be in the similar range? How do you think about not one year, two years, but over a much longer period?

Shobhit Uppal: Our thinking is slightly counterintuitive on this. We did plan and did a large capex last financial year and planned similar numbers this year, but our gut is telling us this business is cyclical. We went through a downturn around late 2008, 2009 and 2010. Given the disruptions happening in the supply chain because of what is happening in the West or the Middle East, we are being slightly conservative.

We feel that if there is an unintended slowdown three, four or five years down the line, we would incur a lot of PMI costs or other costs. So, counterintuitively, we decided to reduce our capex. That sort of fits in because our order book is at an all-time high. To feed this order book, I think we have the necessary equipment and the shuttering materials. That is why we are waiting and watching.

Moderator: Thank you. The next question is from the line of Nirmam from Unique PMS. Please proceed.

Nirmam: I have a slightly broader question. As you mentioned, some of the other challenges kept popping up in the past two years. How do we navigate these supply chain challenges and skilled labour issues? This is from a medium- to long-term perspective. What should change from the present circumstances to earn double-digit margins on a sustainable basis?

Shobhit Uppal: Let me start with the last point first. To get back to double-digit margins, the entire ecosystem has to improve its efficiency. Keeping that in mind, the constituents of the ecosystem- the developers, clients, us as contractors, designers- have realised that we are all badly hit on account of skill shortage, both in terms of numbers and actual skills. Everybody started working on standardization.

To do that, for that to actually mature into actual work on the ground, standardized work on the ground, any newer trend, it takes about three, four, five years. Work has started, right? As happens in the West, a lot of things get made off-site in factories and then assembled. One aspect of that is the use of pre-engineered or prefabricated buildings.

For example, the Central Vista project is a INR3,000 crores project. The timeline is about two years. It's a 33.5 lakh, 3.3 million or 3.4 million square feet building. Nowhere in the world does a client aspire to complete a building like this in two years. In India, it's being considered, and we're more or less on track.

This is because the structure is fabricated off-site and brought to site and, like a Lego set, erected there. These double-digit margins can be achieved and will be once we have more standardisation. This will take, to my mind, at least two to three years to happen. One. Second is training. As we know, the skill levels have gone down. Numbers have gone down.

We are in touch with our various industry bodies and governments, including the Skills Ministry, and we know how to use the vocational institutes the government has, where labour can be trained. The true challenge here is that any time that a major change or paradigm shift has to be there, it costs money. There, the government needs to step in. Government is, I think, now alive to the challenge.

Again, the action and its results will take at least a year to two years. This skills shortage will have to be made up, primarily driven by the government. We are all sort of pushing the government towards that. We are hopeful that action on the ground will be visible, as I said, in the next year or two years. What else did you ask? Can you repeat your other question?

Nirmam: Largely this. On the supply chain challenges, something or other keeps on popping up. So how do you then say – because these would be, you couldn't predict these challenges. Then how do you as a company

Shobhit Uppal: I agree with you. It calls for better planning. Our planning resources, we upped our planning resources. We increased the IT bandwidth and expenditure. We factored in, based on our experience over the last two years, more so over the last one year, where the supply chain has been very, very badly affected, primarily on account of the war in the Middle East. We now plan better. We factor in the timelines required to get a particular material to site.

Say, for instance, if we could get reinforcement steel or structural steel or cement on site in about two to three weeks from the time it was indented, we now factor in timelines of about five to six weeks, in some cases even eight weeks, especially for electromechanical materials like chillers and panels and transformers and so on and so forth. Our experience is what is coming into play to help us plan better.

Nirmam: Got it, sir. Thank you. Very helpful. My next question is just, the North region is a major part of the unexecuted order book. Are we looking to increase business in other regions going forward now, given all these NGT challenges and other issues? Even the skilled labour issue you mentioned was largely in the northern region. Do you plan to expand to other regions?

Shobhit Uppal: Yes, it's already happening. If you look at our order book, we are in, I think, if memory serves me right, 19 states at the moment. From being a purely North-centric company, we now have a significant presence in Mumbai. I think our total...

Vikas Ahluwalia: 24%.

Shobhit Uppal: Yes, 24% of our order book comes from there.

Vikas Ahluwalia: 15%.

Shobhit Uppal: East is 15%. Even in the East, when we saw a slowdown in Bihar and Bengal, we moved further into the Northeast. A significant amount of our total order book comes from Assam. The South is where we are growing our business. As things stand today, we have an order book of about INR2,000 crores coming in only from Bangalore.

Our order pipeline includes projects we are bidding for in Hyderabad. Yes, and we have regional offices in all these locations. We're looking to grow, but we are also picking and choosing. In Bihar and Bengal, which continue to be cash-strapped, we're just maintaining our presence. We are picking and choosing.

We're not very aggressive because we feel the state government is stretched financially. Assam is something which we are looking to grow. Mumbai, we're looking to grow. Bangalore and Hyderabad, we're looking to grow.

Moderator: Thank you. The next question is from the line of Ishita Lodha from SVAN Investments. Please.

Ishita Lodha: My question is with respect to the DLF City Center Downtown project. There is an increase of by INR200 crores in the order value. Is this purely commodity price inflation that is passed on, or is there an increase in the scope of work?

Shobhit Uppal: No, this is an increase in scope of work. Ishita, did you get my answer?

Ishita Lodha: Yes, thank you.

Moderator: As there is no response, I am taking the next question from the line of Ankit, an Individual Investor. Please proceed.

Ankit: Yes. Hi, good evening. Thanks for taking my question. I wanted to check on I think material cost question has been answered, which was one of the point I had. At the same time, in Q3 and Q4, we are saying that we will maintain a Q2 margin. However, last year, Q3 was also impacted severely by NGT. Last year, we maintained almost 9% margin.

And we did not have Central Vista as a base, which we discussed in the Q4 and Q1 con calls, saying that in Q3 we would have Central Vista as a cushion against last Q3's base. So, why would we still maintain the Q2 margin for Q3 and Q4? This is the first question I have.

Shobhit Uppal: Okay. As I said, my guidance is conservative, but to be slightly more specific, yes, Central Vista cushion is there. But at the same time, what we are seeing is that the price continues there, especially on our electromechanical work. We are still not sure whether the impact of the price increase, vis-à-vis the actual compensation through the escalation clauses, will be fully compensated in these quarters.

As I said, during the life cycle of a project, it tends to match the second half of the project's life cycle. Second, there will be some impact due to the PF increase. Based on our calculations, it will impact our margin by about 0.5 Percentage points.

That said, we have already reached out to all our clients and told them this needs to be compensated to us because it is a change in government policy. So, whether we can convince our clients to agree within the next two quarters remains to be seen. These are some of the, and then we are still not very clear about the supply chain.

Will it continue to be impacted? One day, we feel that the war is over. The second day, we hear that Iran has hit some U.S. assets or bases in Bahrain. So this uncertainty continues, and we feel it is better to factor it in when giving guidance. As I said, my guidance is conservative. It will definitely be around what we have achieved in Q2, if not better returns.

Ankit: Sure. Just to add, sir, the Bangalore residential projects we discussed earlier are normally margin accretive; as execution picks up, they may not be in Q3 because of NGT or some part of Q4. But eventually, will that have an accretive effect on our margins despite the labour increase and then subsequently, I think the Prestige clients are considering that henceforth?

Shobhit Uppal: I think so.

Ankit: Okay. One more, sir, is about the Varanasi project. So I think I just missed that point, but I understood that the Varanasi project will hopefully be completed before the U.P. election, as it is due for the inauguration, or does the client want it that way?

Shobhit Uppal: Yes.

Ankit: Is that a right understanding?

Shobhit Uppal: That is what -- yes, you are right. That is what the government wants for it to be inaugurated before the elections. And that is what we are all working towards. Yes.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please proceed.

Shravan Shah: Hi, sir. Sir, on the bidding pipeline, two things. One is, what is the total value of projects we have bid on where the bid is yet to open, and what is the current bid pipeline?

Shobhit Uppal: Okay. The first part of your question: I think the projects that we bid for are open; it is in the private sector; it is not really a public opening. So, I think projects bid for between the private and public sector were INR 1,500 crores. The total pipeline, as it stands today, is about INR5,000 crores.

Moderator: Thank you. The next question is from the line of Vaibhav Shah from JM Financial. Please proceed.

Vaibhav Shah: Sir, on depreciation, we have seen a sharp rise in Q1 and Q2 to INR32 crores and INR35 crores. So incrementally, what are we expecting in terms of quarterly or annual rate?

Satbeer Singh: This quarter, you see, has increased by around INR2.5 crores, and you may expect that for the whole year, around INR35 crores on average.

Vaibhav Shah: Okay. And next year?

Satbeer Singh: Next year, it would be around, I think, INR37 crores-INR38 crores.

Vaibhav Shah: Okay. Okay. And sir, capex for next year, FY28?

Satbeer Singh: It would be similar, as I said, about INR220 crores, between INR220 crores and INR250 crores.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Shobhit Uppal: Thank you, everybody, for joining, and see you soon.

Moderator: Thank you very much. On behalf of Ambit Capital, that concludes this conference. Thank you for joining us, and we will now disconnect your lines. Thank you.