

Ref No: PSPPROJECT/70/24-25

October 30, 2024

Corporate Relations Department
BSE Limited
Floor 25, P.J. Towers,
Dalal Street, Mumbai- 400 001
Scrip code: 540544

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
Scrip Symbol: PSPPROJECT

Dear Sir/Madam,

Subject: Transcript of Earnings Conference Call – Q2FY25

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith a copy of transcript of Q2FY25 Earnings Conference Call held on Friday, October 25, 2024.

Kindly take the same on your record.

Thanking You,

Yours faithfully,

For PSP Projects Limited

Kenan Patel
Company Secretary and Compliance Officer

Encl: As Above



PSP Projects Limited
Q2 FY25 Earnings Conference Call
October 25, 2024



MANAGEMENT: **MR. P. S. PATEL – CHAIRMAN, MD & CEO**
MS. HETAL PATEL – CFO
MR. KENAN PATEL – CS

MODERATOR: **MR. LOKESH KASHIKAR – SMIFS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to PSP Projects Limited conference call, hosted by SMIFS 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Lokesh Kashikar from SMIFS Limited. Thank you and over to you, sir.

Lokesh Kashikar: Yes, thank you. Good evening, ladies and gentlemen. On behalf of SMIFS Limited, I am pleased to welcome you all on the PSP Projects Q2 FY25 and H1 FY25 earnings conference call. From the management side, we have Mr. P.S. Patel, Chairman, Managing Director and CEO, and Ms. Hetal Patel, CFO of the company. I will now hand over the floor to Mr. Kenan Patel, Company Secretary, for a disclaimer, and then the management will have the opening remarks. This will be followed by interactive Q&A. Thank you and over to you, sir.

Kenan Patel: Thank you, Lokesh, and Good Evening, everyone.
I am pleased to welcome you all to PSP Projects Limited earnings call for analysts and institutional investors to discuss Q2FY25 & H1FY25 financial results.
Please note, a copy of the disclosures is available in the Investors section of the website as well as on the stock exchange. Anything said on this call, which reflects the outlook for the future, or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

Now I shall hand over the call to our Chairman sir for his opening remarks. Over to you, sir.

P. S Patel: Thank you, Kenan. Good evening, everyone. A warm welcome to the earnings conference call of PSP Projects Limited to discuss the unaudited financial results for the second quarter and half year ended on 30 September 2024. We concluded the board meeting this morning.

During Q2FY25, the **revenue marginally declined** YoY and QoQ by 5% and 6% respectively on account of the on-going work at various sites got hampered due to on-going unusual & extended monsoon of 66 days in Gujarat. In addition, majority projects were awarded during Q4FY24 and in some cases the site has not been handed over due to clearances & approvals or the final designs were pending from the client. These projects are Fintech building at GIFT city, Human and biological science gallery, GBRC, etc. which led to a lag in execution. From our ongoing projects, the revenue booking from the Dharoi dam project has not happened basis our anticipation because of land acquisition & encroachment, electrical & water line shifting. The YoY dip in revenue is seen as during Q2FY24 UP projects were at completion stage and higher revenue was generated from those projects whereas during this Q2FY25 revenue from UP

projects was to the tune of Rs.12 crore only and as mentioned a couple of large projects did not take-off as anticipated.

We expect post Diwali there will be positive improvement as the execution of the Fintech building at GIFT city & GBRC have already begun & Human and biological science gallery clearance is also in place which will be started Post Diwali . We expect revenue to reflect from Q3FY25 onwards. Also, in the same line we would like inform that the revenue of two of recently awarded Residential projects – Rs. 269.55 (Shiban @ GIFT) and Rs. 165.04 Cr Trogon Central at Ahmedabad will start recognizing from Jan 2025 only as those projects possession will be given to us by December End.

During Q2FY25, we see a substantial **impact on profitability**, this is because of higher expenses incurred on UP projects during the quarter. During the execution of the project, we installed certain equipment's at our cost; of which there was not clarity in the scope. This is to inform you that during the quarter most of the UP projects have been completed and handed over. Outstanding receivables from these projects are to the tune of Rs 54 crore.

With regards to the litigation, a Writ Petition has been filed by us for the project of 'Construction of Residential Building of PAC Mahila Batallion at Badaun, Uttar Pradesh'. We had received a termination order arbitrarily without due consideration of the reply and without providing an opportunity for a personal hearing. Receipt of the termination letter was taken as a surprise and considered as a technical error. The company team was trying to represent our case to the senior government authorities and find a solution to revive the project. Each time we were getting verbal confirmation from them of the necessary rectification steps underway. I would like to inform our investors and shareholders that we do not foresee any material financial impact as the net receivables in this project are negative.

During Q2FY25 and H1FY25, the company was **awarded** 6 projects and 7 projects respectively. During the quarter, key projects awarded are:

- ▶ Civil and Structural Work for the project "Himalaya" at Sanand, Gujarat by International Refreshment (India) Pvt Ltd (Coca-Cola company)
- ▶ Construction of Gold Stone Hotel and Commercial Towers at Bangalore, Karnataka
- ▶ Construction of high-end Residential Towers in Ahmedabad, Gujarat
- ▶ Construction of Project "Ninety" at Mumatpura, Ahmedabad which is one of the first and tallest commercial building in precast in Gujarat

During H1FY25, the **order inflow** was to the extent of Rs.1,445 crore.

During the quarter, the company **completed** 7 projects which includes all Medical Colleges & Hospital at 7 Locations in Uttar Pradesh on EPC basis.

As on H1FY25, the **outstanding order book** was to the extent of Rs.6,546 crore, a YoY growth of 34%. Out of the outstanding order book, the private projects comprised 44% while Government projects comprised 56%. As on 30 September 2024, there are 55 on-going projects, 87% of which are in based in Gujarat, 7% in UP and 6% in Karnataka. Till date, the company has completed 231 projects in total since inception with 82% private projects and balance were Government projects.

Outlook

Our current bid book is around Rs.7,000 crore. We are confident and optimistic to achieve our order inflow guidance for FY25. In our business, project execution is the key and our teams are relentlessly working on executing projects as per planning and to the best satisfaction of our clients.

With this, I conclude my remarks and would like to handover the call to our CFO, Ms. Hetal Patel to take us through the financial highlights in detail.

Hetal Patel: Thank you, Sir. Good afternoon everyone. The financial performance during the quarter ended September 30, 2024 is as below:

Q2FY25 vs Q2FY24

- ▶ Revenue from operations for the quarter is at Rs.578 crore vs Rs. 607 crore, decreased by 4.8 % YoY basis
- ▶ EBITDA for the quarter is at Rs. 39 crore vs Rs. 74 crore, decreased by 47% YoY basis.
- ▶ EBITDA Margin is at 6.72% vs 12.15%.
- ▶ Net profit for the quarter is at Rs. 11 cr vs Rs.39 crore, reduced by 71.8% YoY basis.
- ▶ PAT Margin is at 1.9% vs 6.4%.

The major reasons for decline in Revenue and profitability has already been explained by PS Sir in his speech.

The revenue generated from 7 UP Projects was Rs.12 crores during Q2FY25. Cumulative revenue is Rs. 1481 crore.

During Q2 FY 25, company has incurred capex of 11 crores. Gross block as on September 30, 2024 is 588 cr and net block is 309 cr.

Would like to mention few of the important balance sheet numbers as on September 30, 2024.

- ▶ Long term borrowing: 61 crores including short term maturities of 33 cr
- ▶ Short term borrowings: 212 crores excluding short term maturities of 33 cr
- ▶ Net Unbilled Revenue: 539 cr
- ▶ Retention – non-current: 130 cr
- ▶ Retention current: 23 cr,
- ▶ Mobilisation Advance: 262 cr
- ▶ Inventories: 336 cr which comprises of 130 cr of construction materials, 178 cr of work in progress and 28 cr of Finished goods.

Working capital days are as follows:

- ▶ Debtor days are 72
- ▶ Creditor days are 74
- ▶ Inventory days are 51
- ▶ Total net working capital days are 49

Out of total sanctioned credit facilities of Rs.1497 crores, company utilised Rs.973 crores including fund based utilisation of 158 crores and Rs.524 crores available for utilisation.

As on September 30 2024, The company has total fixed deposits of Rs.210 crores out of which lien free deposits of Rs Rs.39 crores, FDs worth Rs.163 crores are under lien with Banks for credit facilities and FD worth Rs.8 crores are given as security deposit to clients.

Work on hand as on September 30, 2024 is Rs. 6546 cr. Detailed bifurcation is available in the uploaded presentation.

That concludes the update on financials, and we are now open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Thank you. P.S. Sir, in your entire opening remarks, there was a lot of disturbance. So, 50%-70% I could not hear. And even Hetal ma'am, there was some disturbance in your speech also.

So, just want to check number again. Retention money, mobilisation advance and unbilled revenue.

Hetal Patel: Retention money, non-current is INR130 crores, Retention current portion is INR23 crores, Mobilisation is INR262 crores and net unbilled revenue is INR539 crores.

Shravan Shah: P.S. Sir, now if we look at in terms of two aspects, first in H1 we have done 6.6% revenue growth. And we were looking at INR2,800 crores kind of revenue for full year. So, the ask rate is significant. 26%-27% growth is required in the second half. So, just wanted to know what's the revised number for FY25 and also for FY26. Previously, we said 10%-15% kind of growth. So, what's the new number?

P. S Patel: See actually, it was unprecedented monsoon of this month and most of the projects going on in Gujarat, it was impacted a lot. As I said, the new project which was awarded in March 2024 that could not take up one time. And that was again affected in the second quarter because of monsoon when all clearance were on Board.

So, probably that this can impact the revenue to the extent of INR100-150 crores from INR2,800 crores and that is what is here. But still 6 months to go and there are few orders which are just starting up. So, if those projects get approved on time and nothing further and it comes out of this, I think we should keep a margin of about INR100-150 crores reduction or we can still plan to reach INR2,800 crores.

Shravan Shah: So, you are saying at max we can have a INR150 crores to INR200 crores lower. So, INR2,600 crores to INR2,650 crores. That is in the worst case or in the best case scenario, we can achieve a INR2,800 crores revenue. That's great. And on the margin front because now the margin in this quarter, so first wanted to understand this quarter how much extra expenses for UP we have booked and that's why the margin is lower at 6.7%-odd.

P. S Patel: Shravan in the last quarter also we declared that there are few issues related to UP projects handover process. There were few expenses which incurred in the first quarter and the second quarter also. And we said that there will be an impact of INR8 to INR10 crores of expense on the second quarter also. But as I said in my opening remarks, there were few things which was related to equipment which was to the tune of about INR12 crores to INR13 crores which was actually not in my scope.

But as the handover was getting restricted and the college timings were getting nearer, we took a conscious call to supply those materials. So putting that INR12 crores to INR13 crores and INR10 crores to INR12 crores more expense, that has incurred about INR25 crores. And if you put this INR25 crores in extra expense in this quarter, still our margins are in the range of 11%.

Shravan Shah: So this quarter also we have done a INR25 crores extra expenses on UP projects. The similar number was there in the Q1. So now onwards, is there any further that has to be done? So from the third quarter, can we start looking at 10%-11% kind of EBITDA margin?

P. S Patel: Yeah, of course.

Shravan Shah: And sir, in terms of the order inflow, INR1,445 crores is there. So is there any L1 and portfolio? How much more are we looking to get?

P. S Patel: See, still the bid pipeline is good. We are having a bid pipeline of about INR7,000 crores. So probably to reach to the guideline which was given to you in absolute number INR3,500 crores plus, I think we will be in a position to reach to that easily.

Shravan Shah: Are there any projects where we are L1 as on September or post-September?

P. S Patel: No, I think the L1 which is already declared.. So therefore there is no proper L1 as of now. But the bid pipeline, I can share with you,

Bid Book		
Sr. No	Projects	Estimated Cost (Rs. In Cr.)
1	Government Residential Project at Noida	2,000.00
2	Airport City side Development project at Mumbai	1,000.00
3	Airport Airside and Various Development project at Ahmedabad	900.00
4	Airport City Side Development project at Ahmedabad	900.00
5	Government Museum Project at Lothal	900.00
6	Precast Industrial Project at Ahmedabad & Mundra	500.00
7	Residential Colony at Mumbai	350.00
8	Industrial Project at Nadiad	250.00
9	High rise Residential Project at Ahmedabad	200.00
Total		7,000.00
Percentage - In Gujarat		39%
Percentage - Other State		61%

Shravan Shah: And now in terms of the working capital which has increased particularly in the later days, 70-odd days, so will it come back to the normal 50-odd days?

P. S Patel: Yeah, because see there are two or three cases I would say. The UP hand over has been delayed to the extent. And secondly, the project of Naranpura Sports Complex is also going on fast. And Vadnagar museum, that is also one of the projects. Both the projects are of Centre. And there were few delay in terms of getting the payments from the Centre. So, that has increased debtor days. Probably, you are right that we should be in the range of 50-60 days in future.

- Moderator:** The next question is from the line of Vaibhav Shah from JM Financial Limited.
- Vaibhav Shah:** Firstly, on the UP PAC Mahila project, what was the exact issue for which the client has terminated the project for early termination?
- P. S Patel:** See, in general, if we talk since last three or four years, there is no precedence of termination of a contract. So, initial start of the project was too much delayed because of the roads availability were not there. And later on the project, when the roads were developed till in the site level, the project was fully flooded with water. So, the project itself and our mobilization advance and other clarity were also given after one year.
- So, the project was going delayed. But by the time we reached to a full pace of about 1,000 people working on site and we built almost about INR60 odd crores of work, this project was terminated without giving any clarity. And based on the same, we met the senior officials also. And they were also little bit surprised that there is no precedence of termination of a contract on a slow progress.
- Usually, a liquidated damage is only thing which is applied on the bill rather than terminating a contract. And especially in our case, when the labours were up to 2,000 or 1,000 in last week, how it can be terminated? That was the reason that we were waiting that this mistake can be revised. And that's how we were waiting for that. But last Thursday, when they put up a fresh letter, then we have to move to the court.
- Vaibhav Shah:** So, we got the LOA for the project in November 21 and it was an 18-month project. So, when did we start the execution and when was it supposed to end?
- P. S Patel:** Actually, the extended timeline for the project was 15th October 2024. So, once all the delays they have considered and the project was going smoothly on a faster track. And was to be completed by October, which could have been completed by December. Because of that as you can see, our progress of work, most of the buildings were almost through with 80%-90% of the RCC were completed and finishing just started. So getting 8-9 months in finishing, we could have been able to complete this project. But due to our bad luck, we are not aware of what was the clear reason why this termination was done.
- Vaibhav Shah:** What is the outstanding order book for the project?
- P. S Patel:** We can say about out of INR238 crores is the order value without GST. We have done work up to INR75 crores, so about INR160 crores.
- Vaibhav Shah:** So INR160 crores we are expected to complete this by March 25?
- P. S Patel:** Now, whatever the decision the government takes in terms of starting the project and again giving us the timeline of further 11-12 months, that will be the case that whatever work has been left to be carried out.

- Vaibhav Shah:** Okay. Sir, what would be the bank guarantee? Is there any chance that bank guarantee can be encashed by the client?
- P. S Patel:** Bank guarantee is only the performance guarantee of INR8 crores which they can encash if they are seriously wishing to terminate the project. The rest of the bank guarantee is against the advance. And mostly all the bank guarantees are expired.
- The claim period given by the banks was for one year. So, we can say that yes, the bank guarantees are still at risk because it is in the claim period. But the probability is that since we are having an advance of over INR18 crores against the material advance and nothing against the mobilisation advance, then we can retain it. And the only risk which can come if they seriously want to terminate and that is the performance guarantee of INR8 crores.
- Vaibhav Shah:** So, bank guarantee is secured against the advance that they have received?
- P. S Patel:** Yes.
- Vaibhav Shah:** And secondly, our debt had reduced to around INR200 crores as of July that we mentioned in the last call. So, it has again increased to INR274 crores as of September. So, what was the reason for the increase? And what would be the promoter loan out of the INR274 crores?
- Hetal Patel:** Yes, that has been repaid. And most of our borrowing also has been repaid. But we have utilized further once it was repaid. Now, if you see, as I have already mentioned, the short-term borrowing is INR212 crores, which includes around INR60 crores of bill discounting and FDOD facility. So, if we look at the fund-based utilization, that is INR 158 crores only.
- P. S Patel:** And then, the utilisation is big, because of the three projects that are getting delayed. UP-three projects, Vadnagar and Naranpura, all these three are getting delayed.
- Moderator:** The next question is from the line of Chintan Mehta an Individual Investor, please go ahead.
- Chintan Mehta:** Hi sir, what is your guidance for FY26 to achieve your revenue and project order inflow?
- P. S Patel:** The project order inflow we have already announced INR3,500 crores and the revenue which we said that being in the range of INR2,800 crores but due to this quarter fall down and because of the heavy monsoon we are not able to do good in this quarter. That can impact to INR150 odd crores which I answered to one of the previous questions.
- Chintan Mehta:** And sir, two years down the line, will we again be debt free company?
- P. S Patel:** That depends how the things goes on for next few years.
- Chintan Mehta:** Okay, thank you.
- Moderator:** The next question is from the line of Shravan Shah from Dolat Capital, please go ahead.

Shravan Shah: Yeah, sir, SMC - Surat Municipal Corporation, if I am looking at it, is just for INR68 odd crores revenue that we have done and we were looking at INR300 crores to INR400 crores revenue this year and the next year INR600 odd crores. So, is it doable or?

P. S Patel: Yeah, now most of the structure part which is the I would say the complicated part of any high-rise building that is the basement and the podium level. So, we have reached to the fourth-floor level of the total building and now the towers are getting started from next month. So, I personally see in the MEP and the façade is being done, so, finishing is going on. So, probably this 6 month we should be in position to gear up to what I am expecting. Basically, there was INR8 crores to INR10 crores of shortfall in revenue from structure site.

Shravan Shah: Okay. And sir, for even at a broader level from next year onwards, FY26 onwards, 10 to 15% that is the way one can look at in terms of the revenue growth. Is there a likely scenario that we can be doing a 20% plus kind of a growth for FY26 and FY27 for next two years?

P. S Patel: I think 20%-25% growth. Again, now I am little bit reluctant to say 100% because the things which we have seen and the uncertainties which we have faced in last one and half to two years. If the situation and the order book is little bit high, because presently we are working at almost the order book of 2.2x. If that order book is more than 2.5 or 3x, then the revenue can have a rise in terms of growth. Otherwise, I think 10% to 15% is normal if the order book is 2x.

Shravan Shah: Okay. And Hetal ma'am, the capex for H1FY25 is 23-24 odd crores. For full year, last time we said INR60 odd crores. So, that remains the same.

Hetal Patel: Yeah, I think it will be on the same level. Because even this quarter also we have added around INR10 crores only. And with cumulatively around INR30 odd crores. It should be around INR50 odd crores.

Shravan Shah: Okay. And PS Sir, whatever the recent projects that we have got in last 6 odd months, so there mostly the revenue will be kicking in from the third quarter or from the fourth quarter we should be seeing. Because if I broadly look at, we have decently got the projects in last 6 months.

P. S Patel: So, again, the usual problem is if I talk about Coca-Cola, that project was awarded in monsoons. But I could still make a revenue of INR30 crores because it was on time. And the foundation was heavy. But the buildings which are under basement and where the diaphragm walls are also to be done. As I said in private projects, the diaphragm walls are done for the client. And some of the projects that were to be got in the last quarter, we could not make a revenue due to 1st quarter we spent because just for the approvals.

And second quarter we were affected because of monsoon. But all the order books which we have received today, I already said two projects which are residential and commercial projects in GIFT City and Vaishno Devi, that will generate revenue in the third, last quarter. Otherwise, all other projects which we have received, it has started giving revenue from this quarter.

Shravan Shah: Okay. And then just the debt level by end of March, will it remain at this level or it can be even lower than INR200 crores possibility from INR270 odd crores?

P. S Patel: I mean, I would say that depends on what are the projects going on and how the payments are coming from the debtor side. Otherwise, if we consider all these three debtors and once we get this INR100 crores which we are supposed to get from Surat, that is also being paid. I think we should be in position to reduce to that.

Moderator: The next question is from the line of Prem Khurana from Anand Rathi Shares and Stock Broker. Please go ahead.

Prem Khurana: Yes. Thank you for taking my question. Sir, two questions. One is, I mean, if you could talk about competitive intensity because the prospect pipeline that you gave us INR7,000 odd crores seems, I mean like does that include, I mean, last quarter the INR6,400 crores pipeline that you shared with us included DLF. There was one large project that you were targeting in Noida as well, INR1,800 odd crores worth. I think that project seems to have gone to someone else and DLF is not there in the list now. So, how is the competition? I mean, how much of those INR6,400 crores would have been kind of already given out? What was our success ratio with those INR6400 crores?

P. S Patel: See, again, I would say, depending on the large-scale project, the success ratio cannot be considered as 16-20%, it can be 8-10% also. But depending on the competition what we see and the type of projects where will it be. Still, I will not say that it's a huge competition so we are not being awarded.

But sometimes it is the client's call or sometimes the contractor wish to go a little bit low on the bid side, but we still try to maintain that let us not enter into any contract which should give us a less revenue or give a tight rate. So, we are still going a little bit conservative. But still, I am confident that we will be in a position to reach to our bid pipeline deadline given as INR3500 plus.

Prem Khurana: And on an average, how many participants do we see, let's say, if it is a project more than INR500 odd crores and sub INR500 crores?

P. S Patel: Again I would say from area to area and type of project. If we see the private project it is three or four companies. If we see government at different, different locations, definitely three, four or maximum five contractors. So, it depends on the qualifying criteria and the interest of the contractor in different states.

Prem Khurana: Sure. And in the prospect pipeline of INR7000 crores, how would this be split between Gujarat and non-Gujarat?

P. S Patel: I think Gujarat is 39% and another state is 61%, but 61% is majorly because of that government-assisted project at Noida. So, if we exclude that and if we consider INR5,000 crores total out of these INR 2000 crores being deducted, it must be about 60-40.

Prem Khurana: Awesome. And just one last, I mean, on this settlement with the SDB, I mean, of almost around INR225 odd crores, how much is already come to us and how much more is expected this year?

P. S Patel: We were supposed to get the first tranche of payment on 15th of August, but since they are in the process of clearing their loans against the sales of those shops which is pending. So, probably, I have been following with them since last 15-20 days rigorously. They are saying that they will be in position to give us the payment as early as possible still. Otherwise, we haven't received any payment we can say which was supposed to get in 15th of August. Now, by the end of before closing Diwali, they should be able to give us the tranche of INR25 crores.

Prem Khurana: Sure. Sir 105 has already come to us by July itself 105, 125, how much was received?

Hetal Patel: 104 has been received.

Prem Khurana: Okay sure. Thank you and all the very best for future.

Moderator: Thank you. The next question is from the line of Vishal Periwal from Antique Stock Broking. Please go ahead.

Vishal Periwal: Yes, sir. Thanks for the opportunity. Just continuing on that SDB. So, remaining INR120 which is expected. So, as of now, is there a timeline or it is contingent upon the money received by the association? How exactly the deal is structured?

P. S Patel: Yes. It is divided into four instalments.

Hetal Patel: Four quarterly instalments it has been divided. So by next October 2025, we should be receiving in full.

Vishal Periwal: But is it fair to say it is contingent.

P. S Patel: No. It is not at all be any condition. It is actually an agreed amount to be paid on the dates which was confirmed. Only the first date which was August 2024 which they have missed. And they have missed just because they are on the sale of the offices which they wanted to do. They were not able to do that office sale. So, they are going on a loan for those offices to be sold yet in the SDB. So, they are in the process of getting this loan for payment and giving to us. And that is in process.

Vishal Periwal: Okay. Sure. And I think I just missed on one more thing. From the previous participant question was like one of the projects is terminated where INR70-INR77 crores is the pending receivables. Can you just name the project and then second related to that is like that INR77 crores

P. S Patel: No, there is no receivable. The work done was INR75 crores and it is fully paid. So, nothing is receivable and it is terminated. And it is in UP, Mahila Batallian Education Institute & Hostel. So, we are doing the hostel part. So, INR165 crores work is to be done and the work has been terminated.

- Vishal Periwal:** Okay. So, whatever the work that we have done, we have already received. That is...
- P. S Patel:** Yes.
- Vishal Periwal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Adityapal from MSA Capital Partners. Please go ahead.
- Adityapal:** So, the government has passed to increase minimum wages across the board from October 1st. Sir, how do you see it impacting PSP going forward?
- P. S Patel:** I personally don't see too much impact to us as far as Gujarat is concerned. And the impact which we have received, till now it has been covered up. So, whatever new tenders which we are putting up, we are putting on the existing rates. So, we don't see any much impact as of now. And we have not heard about the clarity of how the wages are going to be.
- Adityapal:** Understood, sir. So, Q2 has been somewhat a very subdued quarter for us because of the monsoons in Gujarat. Do you see that from Q3 and Q4 onwards revenue picking up substantially.
- P. S Patel:** If you see the track record of any contracting firm, first and second quarters are always good and third and fourth quarter is the only quarter when the undertaking companies are able to work consistently. So, probably that benefit we should also get and that trend is not of this year or last year. It is usually the substandard component that is throughout, I have been experienced in the last 10 years, when in the first two quarters we were not able to generate the revenue what we expect. And third and fourth because there is no disturbance as far as the availability of labor or any seasonal impact or such type of impact. So, that is the best period for us so far.
- Adityapal:** So, I completely understand that H2 is much better than H1 for construction companies but would Q3 and Q4 be far better because work was stopped in Q2 and you would have to complete more work in Q3 and Q4, one. Two profitability would be better because now you wouldn't have any more UP projects. So, can I comfortably say that H2 will be a more normal quarter period for PSP going forward?
- P. S Patel:** Yes, we can say that it will be a better quarter for us and that has been always in the past also. And probably there is no further hindrance.
- Adityapal:** Understood. Sir a more broader question I had. was that we had invested in a precast plant in FY '22 and I completely understand that it has helped us in speedy completion of projects like in Nestle, AMC Sports Complex. But I don't see it impacting our margins beneficially. Our EBITDA margins over the last 3 years has actually come down. Our ROEs, ROCs which were 25%, 28% has come down and it has also impacted on fixed asset turnover because of the asset base increasing. Going forward, when I say going forward, I mean in 3-5 years how do you see it benefiting PSP?

- P. S Patel:** I have been answering this question since last 2 quarters, because of the technology which was not universally accepted all over India. And this is the first plant in Gujarat, where we are manufacturing products for not only captive consumption. It is the technology which we are trying to push into the corporate, we are trying to push into the developing business, we are trying to push into the industrial business.
- So industrial and warehousing, we have done fantastic work in the last 2 years. And now we are entering into residential. Presently we have lots of enquiries on to being the buildings up to 70m. And once we make 1 or 2 such types of buildings I think then only we will be having a larger orders to come to as.
- Moderator:** Mr. Pal. May I request you to come back to the question queue for the follow-up questions?
- Adityapal:** Thank you.
- Moderator:** The next question is from the line of Vaibhav Shah, JM Financial Limited. Please go ahead.
- Vaibhav Shah:** Thank you for the opportunity. So there were some data points which I missed in the previous question. So for the Mahila PSP project, what would be the outstanding advances and outstanding receivables that we have?
- Hetal Patel:** Outstanding receivable is not there basically. We have only INR1.9 crores retention outstanding to be received. We have been paid all the bills for the work already done. The advances which we received from the client is INR17 crores amount. So that is outstanding as a liability as mentioned.
- Vaibhav Shah:** And what is the time guarantee and performance guarantee value?
- Hetal Patel:** Performance guarantee is INR8 crores. And mobilization advance guarantee is also there to the extent of around 27 Crores. So that was the total mobilization given.
- Vaibhav Shah:** The bank guarantee that you have submitted for the project?
- P. S Patel:** Bank guarantee, performance guarantee and guarantee against the mobilization.
- Hetal Patel:** There are 2 types of bank guarantee outstanding with the client. One is performance guarantee that I have already mentioned, INR8 crores. And mobilization, INR27 crores. So obviously we received the mobilization advance also. Once we pay off that, the bank guarantee will be returned.
- Vaibhav Shah:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Aayush Saboo from Choice Equity Broking Pvt Ltd. Please go ahead.

- Aayush Saboo:** So could you give some guidance on the debt level in financial year '25, '26? Like earlier you stated that we are targeting to be net cash positive. So give some guidance regarding that and the capex that will be incurred in the next few years.
- Hetal Patel:** Basically, debt level for a construction company, it will always be required for the working capital. So normally we used to have this limit to the extent of around 10% of our overall facility of INR1,500 crores. So that is the normal debt level which we used to have earlier also of INR150 crores. So right now also we are utilizing INR158 crores. And we will use that. If the projects are paid them in near future or pretty much, we can reduce in some extent. But yeah, this current level is the normalized level of debt which we are literally using for working capital.
- Aayush Saboo:** Okay. So I mean like do we intend to be like a net cash positive company? Like in the next 2 years or next 2 to 3 years or we will be having net debt on the balance sheet?
- Hetal Patel:** Yeah, hopefully. See, if all our projects and collections go by on time, then we can get it. Because all our accruals will be used for paying back to working capital utilization.
- Moderator:** Thank you. The next question is from the line of Sajal Vats from Green portfolio Pvt Ltd. Please go ahead.
- Sajal Vats:** Yes. Sir, I noted a sharp increase in the trade receivables in the last 6 months. It has gone from INR342 crores to now INR472 crores. Can you please explain that? I am curious about that change.
- P. S Patel:** See, that is because of, we have already said, that because of these UP projects getting closed and there is a payment of INR55 crores. There is a payment of more than INR50 crores from Naranpura Sports Complex. And there is also payment of INR95 crores from the SDB. So, putting all the SDB was not there in the last quarter. So, putting that into now into receivables, that is, we are getting that larger figure compared to the previous quarter.
- Sajal Vats:** And my next question, sir, is what percentage of revenues do we expect from outside Gujarat in the next 2, 3 years, sir, as we expand geographically?
- P. S Patel:** You are right. But the percentage of separate distribution between Gujarat and other states is very difficult for a company like us or any other construction company, because that depends on the opportunities how we are getting in different states. So, previously we were working in the Uttar Pradesh on a larger extent.
- Now we have got an opportunity to work in Karnataka also. So, that depends on time-to-time and the type of projects which are coming up and the type of projects which we receive. So, it is very difficult to define a percentage how we will be operating out of different states.
- Sajal Vats:** Thank you, sir. That's all from my side. Thank you.

P. S Patel: Can we conclude on the call now? Because I have to leave. And if you have no more questions, then I can leave. If there is any financial question, you can continue.

Moderator: Okay. So, we just have a last question that comes from Uttam Kumar Srimal from Axis Securities. Please go ahead.

Uttam Kumar Srimal: My question is with regard to interest and depreciation. Hetal Madam, this run rate that go in the second and third and fourth quarter also for interest and depreciation?

Hetal Patel: Yeah. So, as I have already mentioned, this quarter, I think we can say that we have nominalized our working capital level. So, it will range between INR160 crores to INR200 crores. So, maybe interest here will be around 10 or little bit lesser. And depreciation, yes, because we have already been using the capex last year also around INR150 crores or more. So, that has increased our depreciation compared to earlier year. But yeah, that will not be much because as it is set around further INR30 crores addition in capex. So, to some extent, it may. Depreciation may increase to some extent.

Uttam Kumar Srimal: Okay. And with regard to UP project, ma'am, how much additional expenditure are remaining to be incurred from whatever we have incurred already?

P. S Patel: Are you asking about the further expenditure still required for UP?

Uttam Kumar Srimal: Yeah.

P. S Patel: No, I don't think there will be any further expenditure because almost 6 projects out of 7, 6 have been handed over. So, we are at the closure.

Uttam Kumar Srimal: Okay. That's all from my side. Thank you.

Moderator: Yeah. Thanks, sir. As there are no further questions, I would now like to hand over the conference to the management for closing comments.

P. S Patel: Thank you all for joining us on our earnings conference call today. Thank you for your support and trust in us. We hope that we have been able to address most of your queries. In case of further queries, you may reach out to our investor relation advisor – Ernst & Young and they will connect with you offline. Thank you, Lokesh and SMIFS for hosting our call this quarter. Happy Diwali and Happy New Year to everyone.

Hetal Patel: Thank you, everyone.

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