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Date : November 17, 2018

To

The Secretary,
BSE Limited
Corporate Relation Dept,
P.J. Towers,
Dalal Street, Fort,
Mumbai-400 001

The Secretary,
National Stock Exchange of India Limited
Plot No.C/1, G Block,
Bandra Kurla Complex
Bandra (East)
Mumbai-400 051

Scrip Code /Scrip Id: 540710/CAPACITE

Scrip Symbol: CAPACITE

Dear Sir/ Madam,

Sub: Transcript of the Analyst/ Investor Conference Call held on November 05, 2018


Dear Sir

We refer to our letter dated October 31, 2018 regarding the Intimation for Earnings Conference Call with Analysts/Investors on the Un-audited financial results of the Company for the quarter and half year ended September 30, 2018, which was scheduled on Monday, November 05, 2018 at 11.00 A.M. (IST).

In this regard we herewith attached the transcript of the conference call as required under Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is for your information and records.

Yours Truly
For CAPACIT'E INFRAPROJECTS LIMITED


Sai Kedar Katkar
Company Secretary and Compliance Officer



“Capacit'e Infraprojects Limited
Q2 FY2019 Earnings Call”

November 05, 2018



MANAGEMENT:

**MR. ROHIT KATYAL - EXECUTIVE DIRECTOR
& CHIEF FINANCIAL OFFICER - CAPACIT'E
INFRAPROJECTS LIMITED**
**MR. ALOK MEHROTRA - PRESIDENT
(CORPORATE FINANCE)**
**MR. NISHITH PUJARY – HEAD FINANCE AND
TAXATION AND INVESTOR RELATIONS TEAM**



Moderator:

Good morning Ladies and gentlemen, welcome to the Capacit'e Infraprojects Limited Q2 FY2019 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on belief, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict. 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 for an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Katyal from Capacit'e Infraprojects Limited. Thank you and over to you Sir!

Rohit Katyal:

Good morning everyone. A very warm welcome to our Q2 and H1 FY2019 earnings conference call. Along with me I have Mr. Alok Mehrotra, President (Corporate Finance) and Mr. Nishith Pujary – Head Finance and Taxation and our Investor Relations Team. I hope everyone has had an opportunity to look at our results. The presentation and press release have been uploaded on the Stock Exchanges and on our company's website.

Let me begin by giving you all a brief update on the industry. As per various reports, the residential sales during the first half of 2018 stood at over 64,000 units as compared to the previous year full year sales of 96,000 units. New launches crossed a 40,000 units mark after eight quarters in Q2 of 2018. Bengaluru and Mumbai were the major contributors to new residential launches. In Mumbai the new launches stood at 9,100 units, which is higher than the six quarter average of 8,500 units.

As per the Indian Brand Equity Foundation the real estate sector in India is expected to reach a market size of US \$1 trillion by 2030 from the current size of \$120 billion. The government's Pradhan Mantri Awas Yojana under the Housing For All Scheme and the planned spend on smart cities together provide a Rs. 4.5 trillion opportunity.

Commercial office stock is expected to cross 600 million square feet by the end of 2018 while office space leasing in the top eight cities is expected to cross 100 million square feet during 2018 to 2020 on the back of demand from IT, retail, consulting and ecommerce. Grade A office space absorption is expected to cross 700 million square feet by 2022.

Further increased spend on healthcare and education sectors is likely to benefit Capacit'e. The sector has also been able to garner interest from the private equity investment community like GIC, Brookfield and others. With so much scope and opportunities available and the increasing market share of the organized developers we are optimistic of the times to come and confident of maintaining sustainable performance.



Now let me give you a highlight on operational performance during the quarter. H1 FY2019 has been a good period for us both in terms of operational as well as financial performance. On the operational front, we have been able to build a robust order backlog with repeat wins from existing clients and also fresh order wins from certain new marquee clients.

Order book: Our order from the private sector as on September 30, 2018 stood at Rs. 6,507 Crores, which excludes the recent order win of Rs. 705 Crores from Oberoi Realty. New order inflows from the private sector during H1 FY2019 stood at Rs. 1,807 Crores and amongst these about 65% of these orders were from existing clients.

Residential segment comprises of 81% while commercial and institutional segment comprises 19% of the order book. Large part of our order book is contributed by high-rise and super high-rise buildings at 46% followed by gated communities at 41%.

Key wins from the private sector in Q2 included order from Piramal Realty worth 561 Crores this is our first order from Piramal Group.

Now let me discuss on the financial performance during Q2 and H1 FY2019. Total income for H1 FY2019 grew by 44% to Rs. 859 Crores as compared to Rs. 596 Crores in H1 FY2018. The total income for Q2 FY2019 was Rs. 453 Crores as compared to Rs. 325 Crores in Q2 of FY2018 thereby registering a growth of 40%.

EBITDA for H1 FY2019 grew by 40% to Rs. 138 Crores as compared to Rs. 99 Crores in H1 FY2018. EBITDA for Q2 FY2019 was Rs. 74 Crores as compared to Rs. 50 Crores in Q2 FY2018 registering a growth of 48%. EBITDA margin for H1 FY2019 was at 16% and for Q2 FY2019 was 16.4%.

Finance cost as a percentage to total income has declined to 2.6% in H1 FY2019 from 3.3% in H1 FY2018. Finance cost for H1 FY2019 stood at Rs. 22 Crores as compared to Rs. 19 Crores in H1 FY2018.

Depreciation and amortization expenses for H1 FY2019 stood at Rs. 45 Crores as compared to Rs. 28 Crores in H1 FY2018. The capex spends towards core assets in H1 FY2019 stood at Rs. 17 Crores.

PAT for H1 FY2019 grew by 36% to Rs. 46 Crores as compared to Rs. 34 Crores in H1 FY2018. Diluted EPS for H1 FY2019 stood at Rs. 6.74 per equity share. PAT for Q2 FY2019 was Rs. 23 Crores as compared to Rs. 18 Crores in Q2 FY2018 growing by 31%. Cash PAT for H1 FY2019 was Rs. 94 Crores as compared to Rs. 64 Crores during H1 FY2018 growing by 46%. Cash PAT for Q2 FY2019 grew by 47% and stands at Rs. 50 Crores whereas it was Rs. 34 Crores during Q2 FY2018. Cash per PAT margins for H1 FY2019 and Q2 FY2019 was at 10.9%.



Our gross debt to equity ratio as on September of 30, 2018 stood at 0.28x, the cash balance stood at Rs. 291 Crores as on September 30, 2018.

The networking capital days including retention stood at 73 days during Q2 FY2019 down from 84 days during Q1 FY2019. The networking capital excluding retention stood at 48 days during Q2 FY2019 down from 57 days during Q1 FY2019.

The total receipts from clients during H1 FY2019 has been ~ Rs. 827 Crores.

With this I now leave the floor open for questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Punit Gulati from HSBC. Please go ahead.

Punit Gulati: Just trying to understand few things what is the net debt number now for you?

Rohit Katyal: The net debt is 0.

Punit Gulati: On the receivable side are you seeing any kind of pressure from any of your customers so far?

Rohit Katyal: If you see I just mentioned that the total collection has been Rs. 827 Crores during the first half year. So clearly the first half year has been better as compared to Q1, the collection momentum has continued in October and since very few clients of ours have exposure to NBFC, we do not foresee major issues but we will have to wait for a couple of weeks to really understand how the NBFC unfolds. At the moment no, but we are cautious and as I mentioned the exposure of the NBFCs to the clients which we have is very minimal.

Punit Gulati: If you can talk a bit more about how you are safeguarding your interest in these in terms of various contracts that you may have or any other ways?

Rohit Katyal: Number one, basically we look at our gross exposure less the interest free advances, which we have so that we are aware of the overall exposure to anyone client at any given moment in time. Number two, if the client does not certify a bill for more than two months we will stop the work. So we have done that in the past and with now RERA in place it becomes little bit more easier and we have seen that we have been able to realize nearly Rs. 12 to 13 Crores by doing so, it is not our intent, not what we like it, but then it is business if the certified bill is not in our hand we are not in a position to insist for the payment and therefore these are the two major things what we do to safeguard the interest of the company.

Punit Gulati: So, have you seen any instances of where you had to stop the work because it is kind of detrimental to your customer relationships as well?

- Rohit Katyal:** You see that we have good relationships with all our customers but at the end of the day it is commercial business what we are conducting so we have been stopping work for the last two years and on and off for maybe one client or two clients if any in a quarter but what we have seen is that when we stop the work and we explain to the client that it is not possible to go beyond an exposure most often than not they appreciate, agree and that is why we have been able to recover money on any slow moving projects and recover this money if at all they were stuck with such clients. So, this does not happen with our top ten customers which contribute for more than 76% of our order book, but then if some customer does not want to certify the bill then we are left with no option.
- Punit Gulati:** In any case the maximum exposure is two months of work right?
- Rohit Katyal:** Two months of work and to that we have to always add WIP and therefore as I told you we add WIP, we add the total debtors less the advances to come at the net exposure.
- Punit Gulati:** That is great. That is all from my side thank you so much.
- Moderator:** Thank you. The next question is from the line of Jatin Nair from ICICI Mutual Fund. Please go ahead.
- Jatin Nair:** In your current order book what must be the orders from Lodha if there is any?
- Rohit Katyal:** Lodha at the moment is on verge of completion and is about Rs. 41 Crores which would be about 0.6% of the order book.
- Jatin Nair:** And in terms of your working capital cycle is anything stuck there or everything is in line?
- Rohit Katyal:** Lodha is paying on time.
- Jatin Nair:** Sir my second question was a little bookkeeping type question there was an increase of around Rs. 200 Crores in our other financial assets what is that?
- Rohit Katyal:** That is the uncertified bills as on the date of signing of the audit of the limited review so whatever is uncertified is lying in the other financial assets, but while giving you the debtors days that is added back.
- Jatin Nair:** Okay so when you are calculating your working capital this is added.
- Rohit Katyal:** Yes.
- Jatin Nair:** That is all. Thank you all the best.



Moderator: Thank you. The next question is from the line of Kunal Bhandari from HDFC Securities. Please go ahead.

Kunal Bhandari: Thank you Sir for the opportunity and congrats on good set of number. Sir more on the book keeping front, your payables are close to Rs. 480 Crores currently so which translates into more than 100 days of trailing say 12 months revenue. Could you give a broader breakup as to who like what are your major sources on getting this credit like which creditors are giving you so much of credit?

Rohit Katyal: There are two things to this which I would like to answer number one there is a 10 to 11 day reduction in the creditor level. Now these creditors include creditors against LC acceptances so if you reduce Rs. 160 Crores of LC acceptances that amount would be close to Rs. 300 Crores and Rs. 300 Crores when compared to the sales achieved in Q2 would translate into two months of unsecured creditors.

Kunal Bhandari: Sir these LC acceptances, are these against any imports that you are getting?

Rohit Katyal: No, you are permitted to issue LC for domestic purchases for RMC and steel.

Kunal Bhandari: This is for RMC and steel?

Rohit Katyal: Our RMC and steel would contribute to about 42% of our purchases. So, therefore I told you the presentation from bookkeeping perspective and the accounting standard is that you show the total gross creditors but when you break that down it would come to less than Rs. 300 Crores and when it comes to Rs. 300 Crores that would be close to about two months of my sales.

Kunal Bhandari: Sir and the rest of the creditors you are saying it is close to two months so the only RMC and steel though it is domestic you have it on an LC basis?

Rohit Katyal: I think practically most contractors use letter of credits and we do the same because it is more secure, the rate of interest is much lower on LCs alright as opposed to CC limits so therefore we go for LC purchases for steel and concrete in most cases.

Kunal Bhandari: Thank you Sir.

Moderator: Thank you. The next question is from the line of Dhruv Bhimrajka from Crescita Investments. Please go ahead.

Dhruv Bhimrajka: Good morning Sir. Sir my question is regarding have you won any architectural finishing and plumbing works for the Mumbai metro line seven stations?

Rohit Katyal: That is a small order which comes under the other orders of Rs. 34 Crores actually that was a bigger package in two parts well the larger one we did not get and the smaller



one we have got and which we are executing five or six projects in the periphery that maybe executing as a part of that project.

Dhruv Bhimrajka: So it is a very small order that is why we do not have any notification of it on the website of BSE.

Rohit Katyal: The agreement is yet to be signed, if you look when we are awarded the orders we generally receive the LOA. So, once we have executed the agreement definitely, we will be announcing, but I guess any government order comes in public domain before we even think about it.

Dhruv Bhimrajka: So you will be putting it up later on the website.

Rohit Katyal: Yes, once the agreement is executed.

Dhruv Bhimrajka: Sir one question on the BDD chawl project in which you have around Rs. 4,400 Crores of stake. Sir what will be the capex that you will be putting in that project in this year FY2019?

Rohit Katyal: None.

Dhruv Bhimrajka: And the next year FY2020.

Rohit Katyal: None.

Dhruv Bhimrajka: And so when will any capex come for that project?

Rohit Katyal: From year three onwards that will not be on the books of Capacit'e Infraprojects as the project is in an integrated SPV as I had explained in Q1 earnings call also and therefore for the equipment whether rental is more viable procurement is more viable it will be decided on case-to-case basis and at the moment as far as Capacit'e Infraprojects standalone is concerned no equipment has been considered or that is it for the current financial and the next financial year for that project.

Dhruv Bhimrajka: Any estimate for FY2021 if any?

Rohit Katyal: As I told you it would be a very wide-ranging assumption. It would depend on whether the other partners would prefer rental or procurement and this is an integrated JV where Tata is a financial partner and we are the technical partner we will take a call at that moment in time.

Dhruv Bhimrajka: Similarly for this project there are also no revenues which will be booking for FY2019 and FY2020.



- Rohit Katyal:** No, FY2020 the revenues will be booked, FY2019 very small revenues shall be there because the designing is going on at the moment.
- Dhruv Bhimrajka:** Any estimate for FY2020 revenues.
- Rohit Katyal:** At the SPV level should be close to Rs. 300 Crores.
- Dhruv Bhimrajka:** Okay SPV level Rs. 300 Crores right.
- Rohit Katyal:** Yes, because you will be doing the transit camps and then you will be coming to the main project.
- Dhruv Bhimrajka:** Okay sir thank you so much.
- Moderator:** Thank you. The next question is from the line of Bharani Vijay Kumar from Spark Capital. Please go ahead.
- Bharani Vijay Kumar:** Sir I had one question on our order book, if there are any slow moving orders and if so what percentage of the order book would that form?
- Rohit Katyal:** We generally remove the slow-moving order book before giving the order book, anything which is moving slow for more than six months is removed so the order backlog of 6,500 odd Crores which as we have mentioned is excluding the slow moving order.
- Bharani Vijay Kumar:** Could you also highlight the reasons for fall in the networking capital in this quarter Sir?
- Rohit Katyal:** Higher collections and maintaining the supply chain management or the number of days what they are. We have always mentioned that our supply chain levels will go down in proportion to the increase in debtor levels and that is exactly what you have seen; however, we are still away from the pre-GST numbers and over the coming quarters we will try to achieve that levels.
- Bharani Vijay Kumar:** Understood Sir, great to hear and all the best for the future.
- Moderator:** Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.
- Dhananjay Mishra:** Could you share the details, which all projects contributed to in this quarter revenue?
- Rohit Katyal:** You can say Tata Trust, Oberoi Realty, Godrej Properties, Wadhwa Group, Brookfield these are the major contributors in the first half-year.

Dhananjay Mishra: Also, you could talk about the prospects coming in next few months or we may say six months.

Rohit Katyal: It will not change, this will be the major clients because these are the top nine clients which have 76% of the order book so Kalpataru billing would increase, so would Purvankara billing increase, similarly you will see the increase in billing of Brigade also. So, these eight, nine clients will contribute majorly to the quarter three and quarter four revenues also.

Dhananjay Mishra: Sir lastly if you could explain the increase in depreciation?

Rohit Katyal: The depreciation is having two parts one is the depreciation on assets that is plant and machinery and form work and the remainder is amortization of site establishment of temporary structures. There is an increase in depreciation of temporary structures because of increase in revenue because that is amortized in proportion to the revenue. So, there is no increase in the depreciation of P&L there is an increase in amortization of site establishment expenses

Dhananjay Mishra: That is all from my side.

Moderator: Thank you. The next question is from the line of Vijay from First Global. Please go ahead.

Vijay: Sir my question is we our topline has grown very strongly but we are looking some pressures on margin if we remove the other income, so what is your view on that?

Rohit Katyal: Last time also I mentioned that other income includes interest from bill discounting and if you net that out from the total interest cost of Rs. 22 Crores there is hardly any interest cost of Rs. 4 Crores, that is number one. Number two, as I had explained that quarter-on-quarter the amortization could increase, decrease a little bit but what is more important is to look at the cash profit so the cash profit for the half year is at 10.9% or thereabouts and that is within the guidance what we have provided which is about 10% to 10.5% so it is a little bit higher in this quarter but on the whole year period the guidance of 15.7% to 16.3% EBITDA margin on the total income will continue and similarly the cash profit margins should not see any change probably there are no external factors which would impact that.

Vijay: We are also maintaining the similar guidance, which we had given for the revenues in Q1 FY2019?

Rohit Katyal: There is no guidance on the revenue.

Vijay: No, it is broader range even I think we discussed broadly?



- Rohit Katyal:** Yes, so the point is what we discussed basically you have the order backlog in front of you, you have the top ten clients which you can form a very good judgment on 80% of them and therefore we are quite optimistic that there will be a decent growth in the current financial year.
- Vijay:** Sir one more question here we have improved significantly in working capital days and all key has so going forward we are looking a similar position?
- Rohit Katyal:** We are committed on doing that but then our business also depends on external factors and our clients appreciate operational performance and that is reflected in the numbers so given no disturbance due to external environment like somehow just asked me about NBFC we do not see any change in our performance parameters.
- Vijay:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Abhijeet Vora from Sundaram Mutual Fund. Please go ahead.
- Abhijeet Vora:** Thanks for taking my question. Sir I have two questions first one is on this Mumbai development plan 2034, we were reading in some news that new projects approval is getting delayed and deferred, do you envisage any order flow slowdown because of this particular development.
- Rohit Katyal:** Sir I do not see any slowdown, obviously some clients who had not envisaged the big changes or the changes or increase in FSI which has happened may take a month or two but then there is nothing discretionary available. So, whatever is available to A is available to B and so to C, that is number one. Number two, this year our first half year has been the strongest over the last six years in order inflow. So clearly the established players were not seeing any impact and also the launches have been at record high in the geographies where we operate in. So, the order backlog if you include the Oberoi order which we have just announced is Rs. 7,200 Crores, which takes us to an inflow of Rs. 2,500 Crores from private sector alone in the current financial year which is much more than the full year target which we had discussed in March. So, what we believe is that we do not see any slowdown and even if there is a slowdown for a couple of months it does not make any impact to Capacit'e because the order backlog itself is very, very strong at the moment in time.
- Abhijeet Voara:** The execution tenure will be roughly three years right of current order book?
- Rohit Katyal:** It was earlier 4 years which had come down to 3.5 but as we move forward, we are seeing projects with smaller completion period and that on an average will reduce the overall completion period but at the moment you can safely conclude 3.5 years on an average.



Abhijeet Vora: Sir also one parameter if you can share what portion of your order book is right now the finishing projects where you can earn higher margins, if you can help us understand the progress?

Rohit Katyal: Finishing has a lot of different types something is complete lock and key something is partial finishes. About 30% is the finishes, but the maximum margin comes from super high-rise and it contributes 23% to 24% of the overall order book, that is our expanded order book. So more than the finishing items as we have always told you the highest margins would come from super high-rises followed by design build and then with finishes then with partial finishes and then shell and Core. So, we have a good mix if you look at high-rise and super high-rise is 46% of the Order book within this approximately 30% comes alone with finishes.

Abhijeet Vora: All the best Sir for the rest of the year. Thank you.

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

Prem Khurana: Good morning. Thanks for taking my question. My first question was on the client receipts that you have reported during the quarter of Rs. 827 Crores of H1. Basically I wanted to understand it, if you could break it down into how much of this is on account of the monies of the bill that you would have raised and how much is because of the fact and you have done pretty good in terms of inflows and you would have received some mobilization advances?

Rohit Katyal: Our net mobilization advances after recovery it stands at Rs. 36 Crores.

Prem Khurana: So, does it mean I mean of this Rs. 827 crores, Rs. 36 crores is only mobilization and adjusted for the money that you would have given back right?

Rohit Katyal: Yes, on net basis and the remainder is a collection from our RA bills so obviously we will account from first in, first out, first in, last out that means whatever money is received is first adjusted for the March end quarter then for the April then May and so on so forth.

Prem Khurana: How much was this number last year, same time as in H1 or if you could give us the number for Q1 as well?

Rohit Katyal: It is quite similar to the Q1 numbers the only thing is the revenue has increased by approximately 15% over Q1.

Prem Khurana: One second on your order backlog would you be able to share as and how much of order backlog is such that wherein the work would start after sometime so essentially why I am asking this is because recently we have met Oberoi and we were made to

understand that Borivali project we already have the six towers which are under construction and there were no intuitive launches, the incremental six towers at least for the time being till the time they were to kind of exhaust inventory in the first six towers, but they have all given you the order so which essentially means they would not let you start working at the ground for some time and once they were to exhaust inventory of the first six towers which is when they would give you a go ahead to kind of start working at the ground so which essentially means on the face where it looks as we are just there with you but you would not be able to start working till the time they were to give you a go ahead so do we have any such orders in our order backlog wherein the actual execution would start after six, seven odd months?

Rohit Katyal: No, so you just said that you spoke to Oberoi they have to make maybe 12 towers the current orderings for five main big towers. The excavation is completed, the building is handed over to us, we have already started the work at the project site, that is number one. Apart from that there will be one project of Oberoi, which will be starting from December, which is good for us because we have to start quite a few handful projects in this quarter so answering your question we do not see any slow moving project or project held up because the client wants to execute later and especially our clients like a quality of Oberoi will not give an order if they do not intent to execute immediately.

Prem Khurana: Sir what is the potential from the existing order backlog we used to highlight that around Rs. 1,500 Crores this incremental phase within your projects?

Rohit Katyal: That continues.

Prem Khurana: The same number because we have been receiving a number of orders from existing clients or for the same sites so which the number is still standing right?

Rohit Katyal: At the moment yes but then obviously you cannot give it an assurance, the approximation continues and that would now include client like Tata Trust and Tata Group.

Prem Khurana: Just one last on margins I understand you include other income as a part of margin but the only thing that I want to understand was since our IPO we have had some changes in our accounting policies right, one is your more site establishment expenses earlier used to be a part of Other operating expenses now these are classified as your fixed assets or which essentially means it is amortized and not charged in operating expenses. So you would have seen some margin expansion because of this thing, second is now we have started reporting net of GST but which essentially would have added almost around 1% kind of number so when I adjust for these two and compare with our historical number so the number that we use to guide at the time of IPO there appears to be some kind of dip in our number so is it because of just scaling up and we have tried kind of to get orders we now started giving some discounts to existing



clients so are we getting the repeat orders from existing clients which is where you are required to kind of give them some benefit?

Rohit Katyal:

Three more questions, number one there is no change in accounting policy as far as EBITDA is concerned. The EBITDA before taking the site establishment as amortization was 14% to the total income. The EBITDA guidance was always given on total income it can be given separately for total and without the other income also, number one. Number two so before taking or when the site establishment expense was written off on the face of the profit and loss account u EBITDA levels were between say 13.7% to 14.3%, after that there is an increase of 200 basis points which was clarified in last December itself. So, there is no accounting change in how we are giving our projections or how we are looking forward towards the performance of the company, EBITDA to our total income was the benchmark always followed for reasons, as I explained that the other income only includes interest, which is not netted off from the finance cost. So, therefore we believe that it has to be looked with one parameter and if you compare over the last not only last four quarters but even eight, 12 quarters you will see that all the projections details have been given on the total income and not on the net income. But you mentioned about GST impact. We were excluding service tax and VAT earlier we are excluding GST now so there is no impact except the increase in debtor levels which we have mentioned in March end quarter and that is there we have seen some improvement over the last two quarters and we are confident of maintaining the momentum going forward.

Prem Khurana:

Thank you.

Moderator:

Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar:

Good morning Sir. Congratulations for good set of numbers. Sir just one question from my side our order intake as you highlighted has been really strong this year what are the measures that we are taking to enable us to execute these projects on time because obviously our scale of operations specifically on slightly larger projects is increasing quite a lot. So, what are the measures that we are taking internally to execute these projects?

Rohit Katyal:

Number one we are very focused on the geography of where we take such high value projects so if you look at the two big wins both Rs. 561 Crores from Piramal and the Rs. 705 Crores from Oberoi have been Mumbai MMR based where we have exceptional strength of execution which we have showcased over the last four years. So we do not require any increase in the fund rate, the management bandwidth also does not get stretched, we will take such a project in a geography where we had already established that is number one and number two obviously the client quality is very very important so we have been very focused and we have been more focused now on the



client quality and these two things are of extreme importance when we take new projects going forward.

Parvez Akhtar: How are we seeing further pipeline in terms of order intake, are we okay with our current order book do we want to consolidate for a time being or we are okay with increasing and bidding for even new projects in case we are coming from good clients?

Rohit Katyal: As I told you that if it is within our geography we have handed over four to five projects and we will hand over another five to six projects in this next six months. So obviously we will have the manpower resource and the equipment resource for a couple of new projects also, but then at the moment we are pretty and we are not bidding for any new clients until and unless it is a very very marquee client because of the order intake which you know is quite robust at the movement in time. So yes it will be our case-to-case decision it cannot be projected at this moment that whether we do stop bidding completely we will continue to bid but then maybe we will look at the margins and the reward ratio and other parameters before taking some new orders anymore.

Parvez Akhtar: Thanks. That is it from my side and all the best for future.

Moderator: Thank you. The next question is from the line of Suraj Nawandhar from Prithvi Finmart. Please go ahead.

Suraj Nawandhar: Thank you very much for taking my question. Sir my question is regarding to your MHADA project, for that time & again we have referred it to be a cash EPC project so I just wanted to understand the difference between cash EPC and the normal EPC project?

Rohit Katyal: No. There is no difference. Generally, all EPC projects are cash means payment is made on the monthly bills, which are raised on the client so there is no difference. EPC means engineering procurement and construction it is not a BOT project because the name of the project is christened as redevelopment of MHADA so we only clarify the redevelopment of MHADA building it all does not mean that it is a BOT project that was the only clarification which we give. Cash EPC and EPC, EPC generally is on cash like you have NHAI you have cash EPC projects where you raise monthly RA bills, you have HAM and then you have the BOT also. So, MHADA project in our case is the EPC project where you would raise monthly RA bills and will be paid for within the timelines mentioned in the contract document.

Suraj Nawandhar: And how much of our order book is from affordable housing?

Rohit Katyal: 60% approximately.



- Suraj Nawandhar:** Sir what would be the timeline to execute our current total order book of around Rs. 7,000 Crores.
- Rohit Katyal:** 3.5 years.
- Suraj Nawandhar:** Sir, are we looking at any new segment like airports or the ports or anything like that?
- Rohit Katyal:** No. Airport is a building so obviously we will look at it as and when we get an opportunity, but we do not see any substantial scope for in a port project because we are building focused one segment company and therefore airports while could present an opportunity in the days to come or maybe in the couple of quarters to come we do not see any meaningful opportunity at the moment as I speak to you today any meaningful contribution coming from the port sector, but from the commercial and retail yes.
- Suraj Nawandhar:** Sir last question is how much of our order book is from lock and key and design and build possibly because we have a better margin in these kinds of projects?
- Rohit Katyal:** As I told you the highest margin is from the super high-rises which is 23%, high rise follows next with another 23% and amongst the whole project about 25% to 30% would be with finishes and in that also there are various things something is complete finishes something is partial so depends on client-to-client requirement but in design build currently we have two projects which are design build one is the Emaar in Delhi the second one is the government project which is being executed in the integrated SPV with Tata Projects that is the MHADA BDD which we just mentioned about. So, two projects on complete design build.
- Suraj Nawandhar:** And Sir what is our cost of debt, cost of funding right now?
- Rohit Katyal:** The fund-based limits are approximately 10.5% to 10.75%.
- Suraj Nawandhar:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Devansh Nigotia from Securities & Investments management . Please go ahead.
- Devansh Nigotia:** Sir I have few questions relating to vendors from whom we buy the formwork what would be the decision factors that you look for buying for choosing a vendor for formworks?
- Rohit Katyal:** See the formworks are all highly technology driven material and therefore the entire time cycle of the project is dependent on the efficiency of such formwork. Whether you call it automatic climbing form system that is also known as jump form or you talk about an aluminum form so basically the presence in the Indian markets after sales service in the Indian market whether that manufacturer have warehouse in the India

market in case they need to repair or need to refurbish it so all these parameters come into play for example in aluminum formwork we must be one of the largest clients for MFE Malaysia similarly R&D UK is our largest vendor and for jump form you have Doka, Peri you could have Tulip from Canada so on and so forth however the decision is based on the requirement of the project and the standing of such formwork vendor in the Indian and the global market.

Devansh Nigotia: How are the payment cycle to the formwork vendors?

Rohit Katyal: They differ from case-to-case basis generally it is basically equipment finance which we take and which we make them ,however there are vendors like RND who have been working with the company since inception and have a higher level of confidence who do give us that 90 days open credit also.

Devansh Nigotia: And is there any guidance of formworks in second half FY2019 and FY2020?

Rohit Katyal: We have given an overall guidance of Rs. 75 Crores each for this year and in the next financial year. However, given the new projects which have come in this may increase a little bit but that budgeting is going on and it will be informed once we meet during the quarter three earnings call.

Devansh Nigotia: Sir from what you said it seems that bulk of our purchases for formworks is from current vendors only is it?

Rohit Katyal: There are one or two Indian vendors but to be very honest at a moment the formwork industry in India is transforming itself until, unless they transform completely and come to the levels as the global peers, however, it would be difficult to take anything more than 5% to 7% of our formwork requirements from the domestic player.

Devansh Nigotia: Sir Can you elaborate of what they are missing out on when we compare them to your foreign vendors?

Rohit Katyal: It is a long discussion this one but clearly the systems are chosen on the basis of the time cycle what is time cycle how quickly will you cast the flats now if we need to cast four flats or four floors in laymen client within a month then appropriate formwork is chosen and the manufacturer who are the proven expertise is then chosen over anyone else we do not want a situation where we take a formwork and it does not give the performance that would jeopardize the whole project it will be like something called ACS Automatic Climbing System is not manufactured in India now let us say we try to get that say manufactured and it sales on the 60th floor we are doomed so we cannot take a decision what they are missing is a matter of high technical deliberation which I would not to be an appropriate person on to comment but then maybe you could get



connected with our investor relations and they could organize a small meeting without formwork engineering department.

Devansh Nigotia:

Thanks a lot.

Moderator:

Thank you. The next question is from the line of Vijay Sarda from Crescita Investments. Please go ahead.

Vijay Sarda:

Sir just I wanted to understand two things one is this ongoing problem that is being faced by NBFC in terms of funding and direct impact on real estate if you can just draw a conclusion, so is that affecting us in some form or other because for most of our project that we got are already under RERA so we are not feeling the heat on the same and secondly if you can just elaborate a bit more in terms of your order book of Rs. 7,100/7200 crores that you talked about are there any slow moving order that you see some risk in terms of the delay going forward.

Rohit Katyal:

The number one to clarify all projects are registered in the RERA no one can today execute any project without getting registered in the RERA so whatever protection is available that will always be available number one. Number two there are no slow moving orders in the Rs. 7,200 Crore-order backlog, which we mentioned. Number three like you we are all waiting to understand the actual repercussion of the ongoing NBFC issues and which are those NBFCs which would get impacted. So, it would be wrong on me to draw any influence, or reference on what would happen as far as NBFC is concerned it would be premature and should not be done. So, while we will look at the micros of our company we believe that there are very few clients of us who are only dependent on NBFCs as most of our major clients are dependent on the banking set up.

Vijay Sarda:

Sir just second question in terms of this entire commitment for this BDD chawl project any commitment that is already made, you were answering to someone's question that you'll will not be going to invest anything till FY2021, but in this project is there any particular equity amount that we need to invest over a period of time?

Rohit Katyal:

We have to provide margins for bank guarantees it is a mobilization advance which would act like a part equity and if there is any shortfall in the cash flow as we go and execute the project it will be infused in our sharing ratio into the project, which we do not envisage anything more than Rs. 15 Crores for the current and next financial year. The total investment in the SPV today stands at close to Rs. 7.5 Crores or thereabouts and which appears under the investments in the balance sheet Rs. 6.85 Crores to be precise. So, we do not see this amount increasing to beyond Rs. 15 Crores in the current financial year or say to conclude till the mid of the next financial year.

Vijay Sarda:

But overall Sir what will be our commitment at a full if the project will progress?



- Rohit Katyal:** So, we do not see that there will be any investment or equity or equity unit or structured investment in excess of Rs. 50 Crores and in all cases close to 35% that would come to Rs. 17.5 to 18 Crores which I just mentioned?
- Vijay Sarda:** Thanks a lot. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Shashank Palan from Rockstud. Please go ahead.
- Shashank Palan:** Good morning Sir. Congratulations for good set of numbers. I had one question on the operational side that we are increasing our fixed asset turnover and that has reached to 4.8 in this quarter just wanted to understand what would be the peak that what fixed asset turnover we could reach and in continuation that we have a good cash & cash equivalent balance of Rs. 291 Crores out of which I think near about Rs. 91 Crores is set aside from the IPO funds for working capital so any more plans for that cash & cash equivalent or will it be lying in the balance sheet?
- Rohit Katyal:** No it will continue, we have utilized it over the last three quarters or as you saw over the last four quarters I have been maintaining that is our long-term working capital fund which will be use towards our margins and towards our equity contribution for new project as we take, but obviously if we receive advances on our project which rules out equity infusion, it is more appropriate to use that interest free mobilization advance so as I told you we will use it over the next four quarters but that should not be taken as a commitment it will be closely dependent on the performance and given the current market trends it is always advisable to have some level of cash on the books. So that if there are any external factors which effect the company the cash available with the company can come to he rescue, this is good for any company whether construction or otherwise.
- Shashank Palan:** Sir on the fixed asset turnover side?
- Rohit Katyal:** Fixed asset turnover 4.8 should not be taken as a benchmark because this first half year the total asset built up has only been Rs. 17 Crores. We have given a guidance of 4.2 plus for the full financial year, which will be maintained, on the peaking side we have to remember that as the new purchases dry out over the next three years or reduced and due to depreciation the net value comes down there will be automatic increase in the asset turnover ratio so currently in the first quarter if you see it has been 4.8 but overall for the whole year period our guidance is at an upward of 4 which we should be able to maintain.
- Shashank Palan:** Just last question I just wanted a simple clarification I just wanted to understand do we have any role in an approval with the government or everything dealing with the government is done by our clients?

- Rohit Katyal:** No that is not our responsibility .Its falls under the clients scope.
- Shashank Palan:** That is all from my side. Thank you Sir and all then all the best.
- Moderator:** Thank you. The next question is from the line of Kaushik Krishnan from Emkay Global. Please go ahead.
- Kaushik Krishnan:** Congratulations on good set of numbers. Just have one question pertaining to the order book trajectory over the next two three years as we understand the growth drivers can be from buildings and metros and airports the opportunity that we are talking of in the presentation just wanted to understand from you indicatively what is the order book that we are looking at how much can be milked out from these opportunities in the next three four five years.
- Rohit Katyal:** We have always been guiding 3.2 times for what order built up is, that means,for example, if we are to, do not we take it as a commitment, but lets just say at FY2020 turnover is Rs. 2,000 Crores then we are comfortable with an order backlog of Rs. 6,500 Crores obviously there could be 10%, 15% pluses and minuses in that, that is only a benchmark so at the movement the Rs. 7,200 Crores order backlog is quite decent and moving forward depending on the completion period of individual projects which what we bid on, we would take orders accordingly so over the next two years it would be safe to conclude that the order intake would be close to Rs. 2,500 to2,700 Crores per year given the current order backlog, now obviously as a construction company you keep bidding for new projects so let us say some clients like Ascendas and so on so if we get an opportunity with such clients obviously we would do whatever is possible in our means to take the project and execute it and therefore focus on better client quality, but given the current situation I do not see that we will be able to take anything more than Rs. 2,500 Crores even in the next financial year.
- Kaushik Krishnan:** Thanks so much Sir. I appreciate that.
- Moderator:** Thank you. Ladies and gentlemen that was the last question I now hand the conference over to the management for their closing comments.
- Rohit Katyal:** Thank you very much. Happy Diwali and look forward to seeing you all again in Q3 earnings conference call. Thank you.
- Moderator:** Thank you. Ladies and gentlemen with that we conclude today's conference. Thank you for joining us. You may now disconnect your lines.

