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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 June 14, 2021

Dear Sir

We refer to our letter dated June 07, 2021 regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company during Q4 and FY21 which was scheduled on Monday, June 14, 2021 at 11:30 a.m. (IST).

In this regard, we are attaching herewith 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.

Thanking you,

**Yours faithfully,
For Capacit'e Infraprojects Limited**



**Prakash B Chavan
Compliance Officer
Mem. No. F4690**

Encl: a/a

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“Capacit'e Infraprojects Limited Q4 FY-21 Earnings Conference Call”

June 14, 2021

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**MANAGEMENT: MR. ROHIT KATYAL – EXECUTIVE DIRECTOR &
CHIEF FINANCIAL OFFICER, CAPACIT'E
INFRAPROJECTS LIMITED
MR. NISHITH PUJARY – HEAD OF ACCOUNTS,
CAPACIT'E INFRAPROJECTS LIMITED**

MODERATOR: MR. ALOK DEORA – YES SECURITIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY21 Earnings Conference Call for Capacit'e Infraprojects Limited hosted by Yes Securities.

This conference call may contain forward-looking statements about the company which are based on believes, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve 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 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. Alok Deora from Yes Securities. Thank you and over to you, sir.

Alok Deora: Good morning everyone and welcome to the Q4 & FY21 Earnings Conference Call of Capacit'e Infraprojects. Today we have with us from the management, Mr. Rohit Katyal – Executive Director & Chief Financial Officer and Mr. Nishith Pujary – Head of Accounts.

We would start the call with opening remarks from the management followed by Q&A session. I will now handover the call to Mr. Rohit Katyal from the management. Thank you and over to you, sir.

Rohit Katyal: Good morning, everyone. A very warm welcome to our Q4 FY21 earnings conference call. Along with me, I have Mr. Nishith Pujary, Head of Accounts and Audit. I hope everyone has had an opportunity to look at the results. The presentation and press release have been uploaded on the stock exchanges and on our company's website. Before I take you all through the operational and financial performance, I would like to highlight a few points.

FY21 was challenging for everyone in the wake of the pandemic. Once the unlocking process was initiated from the third quarter of FY21, both the residential and office markets showed promising signs of revival.

We believe the creation of infrastructure like data centers, health care, hospitals will give a serious boost to factories and building sectors. With business activity, gaining momentum, and Indian economy looking for rebound in FY22 and especially the positive revival of the real estate sector, we expect strong traction on residential, healthcare and commercial front.

We are confident that the order book target for the current financial year is definitely achievable. Our business operations and sites have remained intact and fully operational throughout the quarter gone by, while some disruptions were faced towards the end of March 2021 due to the second wave of COVID. As the government allowed construction activities to continue in the lockdown period, our sites have by and large remain operational.

We look forward towards the growth phase in FY22. We continue to keep health and safety of our employees and workmen as our first priority during the lockdown and have also conducted vaccination drives for them.

Further, we have identified key focus area for our growth on the following aspects.

- Focus on execution of our current order book as well as the current order book gives us visibility with recognizing hefty revenues.
- Efficiently managed our working capital cycle,
- Focus on quality of cash flows,
- Stringent cost control measures.

Focus on above four areas will lead to increase in our ROCE.

Now allow me to give you an overview of our operational performance during the quarter:

The total order backlog excluding MHADA as on 31st March 21 stood at Rs. 8,720 crores. Residential segment constitutes 22% of the order book, commercial and institutional 18% and mixed use 60%. Our order book from the public sector stood at Rs. 5,440 crores which is 62% of the total order book whereas from the private sector, it stood at Rs. 3,280 crores

In Q4 FY21 the company was able to recognize healthy revenues and witnessed significant cash collections amounting to Rs. 412 crores in the quarter gone by, indicating strong collection efficiency. Strong cash collection has also resulted in lower ECL provisioning in Q4, thus increasing our EBITDA margins. Our continuous focus on client quality and cash flow monitoring has certainly strengthened our business model especially in these challenging times. On the standalone performance for Q4 FY21, the total income for Q4 FY21 is Rs. 381 crores as compared to Rs. 311 crores in Q3 FY21, significant growth of 22.5% QoQ whereas a growth of 21.8% in the same period last year.

EBITDA for Q4 FY21 is Rs. 78.5 crores as compared to EBITDA of Rs. 59.9 crores in Q3 of FY21 registering a growth of 31% QoQ, whereas growth was 47.4% over Q4 FY20 EBITDA. The margins of EBITDA in Q4 and FY21 were around 20.6%. Margins were higher due to adoption of cost rationalization measures, lower ECL provisions and reversal of provision of earlier quarters to the tune of Rs. 9 crores.

PAT for Q4 FY21 was Rs. 24.4 crores as compared to Rs. 15.2 crores in Q3 FY21 and Rs. 3.8 crores in Q4 FY20. Cash PAT for Q4 and FY21 was Rs. 53.1 crores as compared to Rs. 39.4 crores in Q3 FY21. Debt stood at comfortable levels with gross debt at Rs. 286.1 crores witnessing a sharp reduction of Rs. 125.7 crores from Q2 FY21. Our net debt remained stable at Rs. 129.9 crores as compared to Rs. 126.7 crores in Q2 FY21 with net debt equity ratio at the end of March 31st standing at 0.41x.

With this, I now leave the floor open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nagraj Chandrasekar from Laburnum. Please go ahead.

Nagraj Chandrasekar: I wanted to understand as we start executing our order book and ramping up revenues to this Rs. 400 crores and beyond quarterly run rate and hopefully getting past to Rs. 2,000 crores run rate by end of 2022, how will our working capital and debt move over the year and what should be the CAPEX in both the MHADA and the non-MHADA parts of the business?

Rohit Katyal: So, I do not see any major impact on the debt part of it, because we are a construction company and if the client quality is good, and your collection remains what has been exhibited over the last two quarters, especially leaving the pandemic aside, then we do not see any reason for increase in the debt levels from where it currently is. Okay, there can be a Rs. 15 crores Rs. 20 crores blip in one quarter and reduction in the subsequent quarter. That is one part of your question.

The second part of the question is on the working capital. So, working capital as I informed in the last quarter conference call, we believe that we shall be at the pre-COVID level that is December FY20 levels by December of the current financial year and we should be at the pre ILFS debacle situation by March 22.

So, on the working capital front also we have seen significant improvement. We expect the improvement to continue from quarter 2 onwards because we have seen some disruption due to the second wave of COVID in the quarter 1, but however we do believe that from quarter 2, it will stabilize and improve there on.

Nagraj Chandrasekar: What have just been the largest quarter mix in working capital and the release in working capital from collections this year in the last two quarters? What have been the main sort of types of customers or categories of customers where we have seen those bump up?

Rohit Katyal: We have not seen a bump up and any significant change in the debtor levels. Debtor level all the clients are extremely good and they have been releasing payments on time. Because as explained earlier, the post-COVID period the supply chain management and their credit levels have changed forever. So, the credit levels which were available maybe April before the onset of the first wave of pandemic is no longer available. So, the luxury of giving any excessive credit to any client does not arise. On the contrary if you see our debtor levels, they have fallen by nearly Rs. 100 crores.

Nagraj Chandrasekar: And on the CAPEX?

Rohit Katyal: On the CAPEX part, there is no investment on the books of Capacit'e from MHADA project. However, CIDCO project totally entails an investment of Rs. 75 crores to Rs. 90 crores plus, minus 5%. And that is spread over the current year and the next financial year.

- Nagraj Chandrasekar:** And just on the order pipeline and the actual orders in FY21. Obviously you are starting off with a very large order book and the challenges this year. But how does that look like? Are you happy with what you have now and will focus more on very good quality projects and wrapping up with the Rs. 2,500 crores, Rs. 3,000 crores sort of revenue run rate?
- Rohit Katyal:** The strategy remains the same what I had elaborated during my previous investor conference call. We will be focused on our existing clients, any new client addition in the private sector will be solely and only if they are better than the current lot of clients, number one. Number two, given the visibility of what client announcements are coming out, let us leave the first quarter alone because of the first two months of pandemic second wave. But I do believe that we should be able to achieve the current year's target which we had given last time.
- Moderator:** Thank you. The next question is from the line of Sita Raman from Spark Capital. Please go ahead.
- Sita Raman:** Can you tell me what is the receivable including retention and unbilled revenues please?
- Rohit Katyal:** Rs. 366.2 crores.
- Sita Raman:** Okay, this is including unbilled revenues?
- Rohit Katyal:** Unbilled is Rs. 81crores. The total would go to Rs. 448 crores and in that also as against March 20, there is a substantial reduction of nearly close to Rs. 150 crores.
- Sita Raman:** Come again, sorry your last one?
- Rohit Katyal:** As against March 20 the reduction stands at Rs. 150 crores.
- Sita Raman:** Okay, the total of Rs. 448 crores?
- Rohit Katyal:** Yes.
- Sita Raman:** What is the inventory including work in progress?
- Rohit Katyal:** See now the inventory, which we now treated as other financial assets. In totality it stands at Rs. 418 crores which includes work done not bills, inventory, work in process and complete. This is as against Rs. 456 crores in FY20. So, thereby there is a reduction at both levels, at debtor's level, then there is a reduction in the financial assets level. Most importantly, you have to look at the balance sheet, the balance sheet size has reduced as compared to last financial year.
- Sita Raman:** What is the bid pipeline that you are currently that you foresee and what is the split that we can see on the real estate, healthcare and commercial in this particular bid pipeline for Capacit'e?
- Rohit Katyal:** See the bid pipeline as per the entire market size is concerned is very huge. It is still remains at close to Rs. 46,000 crores as mentioned last time, but Capacit'e has an extremely strong order

backlog, we have decided to focus on certain projects and in that we have approximately 14 hospital projects which we are currently working on. Apart from that, there will be affordable housing segment and super high-rise business.

So, this entirely to our sensibility at the moment is close to Rs. 7,000 crores and given our track record which was close to approximately 25% to 27% we should be able to achieve our target for the current financial year.

Sita Raman: The bid pipeline is currently you are telling it is around Rs. 7,000 crores that you are seeing?

Rohit Katyal: Rs. 46,000 crore out of that we have identified for the next quarter and half a bid pipeline which Capacit'e will be focusing on will be about Rs. 7,000 crores.

Sita Raman: And currently what is the percentage of the construction costs split between cement, steel and diesel and what is the impact?

Rohit Katyal: The cost of consumption that is all materials together?

Sita Raman: Yes, cement, steel and diesel part how you will mix that on the construction part?

Rohit Katyal: We do not take diesel. The total percentage is 45% average for materials which includes steel, cement, concrete, lube, oil everything. The subcontractor and the labor contractor cost is 20.5% and other construction expenses will be close to 5% - 5.5%. These are indicative they may change by a couple of percentage points quarter-on-quarter, but however if you compare on yearly basis, they are quite constant.

Sita Raman: And what is the impact of the commodity price hikes on our margins?

Rohit Katyal: Nil. We have 100% pass through.

Sita Raman: And on the deposits pledged for credit facilities and margin money against bank guarantee and LC?

Rohit Katyal: I will give you the total fixed deposit position. It should be close to Rs. 230 crores.

Sita Raman: And on the credit facilities and margin money?

Rohit Katyal: So, out of this, we provide margins money. And we believe that close to Rs. 40 crores as on 31st of March was unencumbered, which was not against the margin monies. The margin monies as a percentage to bank guarantee and LC ranges between 10% to 15%.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: I have two questions. Are you seeing any new enquiry in residential space, especially in Mumbai region, do you expect the order inflow from private residential to be materially up? Is it does your 20 billion, which you are targeting for next quarter-and-half includes private residential?

Rohit Katyal: Yes, it does include private residential. And we see repeat orders from existing clients. That is what our focus is at the moment. Number two, we do see a serious traction in the healthcare side from the government and they will be bidding of close to five to six hospitals over the next one quarter.

Mohit Kumar: So, these five to six hospitals you are talking about are prominently located in MMR region, am I right?

Rohit Katyal: Yes, that is right.

Mohit Kumar: Secondly sir, what was CIDCO contribution in revenues in FY21? And what is the timeline? And third is that do you have complete pass through for all the projects or is there any residual risk of the raw material input inflation?

Rohit Katyal: So, the contribution of CIDCO in quarter 4 was Rs. 43 odd crores. You can send a mail and we will be happy to give the exact details. The overall revenue contribution of CIDCO for the whole year was close to Rs. 140 crores to Rs. 150 crores for last FY21. That is one part of your question. Second part is on the commodity price variations. On the private sector side, all commodities including steel, cement, concrete are 100% pass through, which means that if there is a price increase the client will bear the price, decreases client will take away.

Similarly, for CIDCO projects there is 100% pass through for steel and cement. For other items in CIDCO it is indices-linked. Coming to MCGM it is indices-linked. At the moment we are covering up entire increase on a cumulative basis as far as commodities are concerned. PWD has an inbuilt buffer of Rs. 12 crores towards commodity risk.

However, the project has to be executed over three years and therefore, we do not see any significant downside at the moment in time taking into track the last 15 years of steel commodity movement. So, basically all our projects are pass through whichever is not pass through it is already budgeted so, we do not see any impact due to commodity fluctuation as far as our order book goes. Hope that answers your question.

Moderator: Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Sir, you said that CIDCO contributed about Rs. 46 crores in terms of revenue in this quarter. So, when do we see monthly run rate when we used to talk about Rs. 70 crores to Rs. 80 crores from CIDCO or annually we can do about Rs. 1,000 crores from CIDCO?

Rohit Katyal: I have given this last time also we were expecting the revenues to increase to Rs. 30 crores from this quarter. However, there has been the second wave and therefore, we see that it should go to

Rs. 30 crores per month, from July onwards. It should top up to Rs. 50 crores from the third quarter and Rs. 70 crores from quarter 4. So, there can be a shift of a couple of months but broadly the projections remain the same. You can multiply and come to the figure.

Dhananjay Mishra: You are saying that, Rs. 70 crores monthly run rate will be from Q4 FY22?

Rohit Katyal: I repeat, Rs. 50 crores run rate will be from Quarter 3, Rs. 70 crores will be from Quarter 4.

Dhananjay Mishra: So, in FY23 only there will be significant contribution from CIDCO, right?

Rohit Katyal: Sir, we have a commitment of doing Rs. 2,000 crores of revenue with our various clients in the current financial year. And out of that CIDCO will be contributing Rs. 700 crores which we have given an indication in the last conference call itself.

Dhananjay Mishra: And what is our non-fund based limit and can you elaborate in terms of annual interest cost what is a bank charges in that?

Rohit Katyal: We have a total non-fund based limits of close to Rs. 1,500 crores. On an average the bank guarantee commission is 1.5%. On LC front we have Rs. 150 crores which has charges of approximately 1% for opening and we have Rs. 240 crores currently as total fund base limits, which includes short term long term both including term loan, the average borrowing costs between 8% to 9.5%.

Dhananjay Mishra: And lastly sir, how is this JJ Hospital project is doing?

Rohit Katyal: Billing of Rs. 28 crores and payment of Rs. 28 crores has been received as on March. And the work at the moment is in progress at the project site. So, we had estimated close to Rs. 150 crores or thereabouts in the whole financial year. For the moment we believe it is achievable.

Dhananjay Mishra: And when we expect this MHADA get converted in actual order in terms of?

Rohit Katyal: MHADA bid is an actual order. MHADA the design had changed, I had given the details of the rehab buildings going from 22 to 40 stories. The approvals have been received. IOD/CC has been granted by the client because it is in the scope of the client. We are starting with a new design, the entire piling which is load bearing piling from next week onwards.

Moderator: Thank you. The next question is from the line of Ridhesh Gandhi from Discovery Capital. Please go ahead.

Ridhesh Gandhi: I just had a quick strategic question. At the time of the IPO, we were kind of focused on private orders and the rationale we are given was that they are based on quality of our service as opposed to on actually L1 and the tenders. And over the years, we have sort of evolved into where the larger proportion of our book is a public orders. So, how should we think about the rationale of the change in strategy and the reason we pivoted to a government focused model?

Rohit Katyal: During IPO, we were only a five year old company. And when you are a five year old, below that you do not have an option of bidding for government projects because government projects have certain entry barriers. As regards private sector is concerned, it is your performance which the clients take into consideration. Therefore, on absolute basis government indeed is the one of the biggest spender as far as buildings are concerned, including healthcare.

So, it was never the idea that we have to ignore that sector. What we had mentioned that, like we have a focus on quality clients on the private sector side, the focus on the public sector also will be on quality clients. And if you look at our clientele in the public sector also, we are being able to maintain our debtor cycle of nearly 30 days to 33 days, which is lowest.

And therefore, now coming to the mix, whether it is 60% temporarily, it could go to maybe 59% by this quarter end, or it could fall further in next quarter. Focus will be on quality clients, debtor collection, and maintaining the cash flows, so that the broad parameters and key indicators of the balance sheet are not challenged.

Ridhesh Gandhi: But sir, then effectively the equity IRR we look at on a project basis in private and public when we are bidding is approximately the same? And if you could also highlight the kind of competitive intensity we are seeing in the public projects, because obviously, those are all based on L1?

Rohit Katyal: See, we have to understand that Capacit'e is not bidding for the Rs. 150 crores or Rs. 200 crores projects where the competitive intensity is very, very high. Number two, three out of our four projects in government are designed built, where engineering is in our scope. And if you look at the competition at that level, it is only among the top four, five players in the country. So, once it is you are doing design engineering projects, there is no difference on the margin front. And that is what is visible from what our performance has been over the last one year, leaving the first two quarters.

Ridhesh Gandhi: And for the equity IRR expectations are similar in line for public and for private or is private like little more lucrative?

Rohit Katyal: There is no IRR in cash contracts. The Equity IRR is at the company level, it has shown improvement in the fourth quarter. And therefore you should not look at the IRR of a project because we are not doing BOT projects. We only provide long term working capital at the company level. And the entire working capital is made up of our equity and the debt and what advances we received from our clients.

Ridhesh Gandhi: What would be the exact criteria we use in pricing? If we are not looking at equity IRR, then we look at what actually EBITDA margin?

Rohit Katyal: We look at cash profit.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: How do you see depreciation going forward?

Rohit Katyal: Depreciation has two parts. One is for the core assets, that is close to Rs. 9 crores to Rs. 11 crores over the last one year. We believe that that level will remain quite constant. You can take it between Rs. 10 crores to Rs. 11.5 crores. The remainder of it is the site amortization on the asset side, which basically will be around another Rs. 60 crores on the whole year basis because this is directly proportional to the sales book. Last year it was Rs. 42.54 crores but going forward it should be close to Rs. 60 crores Rs. 65 crores.

Deepak Poddar: So, about Rs. 105 crores?

Rohit Katyal: Give and take Rs. 5 crores here and there.

Deepak Poddar: And since you mentioned about this commodity prices that we have 100% pass through so EBITDA margin like 17.5% to 18.5% that we have been talking about so that remain in that or it has some change?

Rohit Katyal: We have given a projection of 16.5%, so we maintain that. If there is an upside we should all feel happy about it.

Moderator: Thank you. The next question is from the line of Aumang Pareek from JHP Securities. Please go ahead.

Aumang Pareek: As Capacit'e now executes better like it heads towards its achieving target revenue of Rs. 2,000 crores, how do we see the finance cost moving ahead, because I am looking this quarter Q4 of FY21 the finance cost was around Rs. 18.99 crores and it was at nearly the similar levels at last Q4 FY20 despite of gross debt being reduced by Rs. 125 crores? So, any comment or guidance on that?

Rohit Katyal: See the debt of Rs. 125 crores reduction is from Q2 of last financial year. Rs. 125 crores has been bought down. So, obviously, during the COVID period when the debt had gone to Rs. 414 crores, on the whole year basis, you had seen a certain upside on the finance cost. You need to compare the whole finance cost for the full financial year. For FY20 the finance cost was Rs. 64.52 crores which went to Rs. 70.25 crores in FY21. If you account for the increase in revenue, we do believe that as a percentage it will fall. On overall basis we will not see any increase in the finance cost for the full year on absolutely basis.

Aumang Pareek: So, can we expect a relative decrease in finance cost?

Rohit Katyal: I hope so because if we have, we also have a target for in the order intakes. So, if we have order intakes that will entail of outgo of bank guarantees and therefore the commissions will get added. So, at the moment if no orders are added hypothetically speaking, then definitely you will see

decent reduction in the finance cost on full year basis on absolute basis. But if orders are added that much guarantee commissions will come into play.

Moderator: Thank you. The next question is from the line of Anupam Gupta from IIFL. Please go ahead.

Anupam Gupta: So, the question was basically on the CIDCO project site. If you can just give an update on the various project site, what is happening at each and maybe at the largest site where you were still waiting for some land permissions to come in? If you can just give an update on the overall progress and what proportion is under execution and what is left to be started.

Rohit Katyal: So, Anupam, we had received earlier six out of the seven locations. The seventh location alternative land Navade has been received. Our designing portion for that segment has been completed. So, we expect the work over there to start. It was to start immediately, but because of COVID second wave, we expect that to start from next quarter onwards.

So, we believe that we will be executing close to nearly Rs. 3,600 crores worth of overall order book and simultaneously from next quarter end onwards. At the moment, as I already said the target is to have Rs. 30 crores per month for quarter 2 take it to Rs. 50 crores for quarter 3 and Rs. 70 crores from quarter 4 onwards.

Anupam Gupta: Right and just continuing there is the Vashi execution on the 100% land or is the truck terminal still pending to be handed over?

Rohit Katyal: The truck terminal earlier 50% was handed over, piling was going on. Another 25% has been handed over. Piling is going on in that area also and the remainder 25% we do not see the challenge because it is available with CIDCO.

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

Parikshit: So, my first question is on the pipeline of the projects beyond Rs. 2,000 crores of guidance which you have given, if you can highlight some of the other projects on all India basis where you are still looking to bid or largely this year you will be focusing only in MMR in terms of the bid pipeline?

Rohit Katyal: So, this question was just asked but I have got more details now. So, on the healthcare side we are seeing close to Rs. 12,114 crores as bidding pipeline over the next two quarters. Before that, I would like to say the overall bid pipeline where we qualify is in excess of Rs. 45,000 crores.

However, within that Rs. 45,000 crores, we are looking at Rs. 11,434 crores in the private sector. We are looking at healthcare projects of Rs. 12,114 crores and we have also act in joint ventures for certain international projects, but we shall discuss that later. So, if you add this up it is close to about Rs. 23,000 crores.

Parikshit: Sorry on this, what is this international project, is it like in India or you are looking at abroad?

- Rohit Katyal:** No, international means abroad.
- Parikshit:** What kind of projects are these and what is the funding?
- Rohit Katyal:** Housing, hospitals, same projects. And already the pricing will be through bilateral agencies. Obviously, we will not compromise on the cash flow perspective.
- Parikshit:** But when there are immense opportunities in India only, why are you looking to go international? So, what is the rationale behind this?
- Rohit Katyal:** The rationale is simple that if we are getting an opportunity where the competition is among the top tier players that basically give us the better opportunity to get better pricing. So, the point is in overall bid pipeline of Rs. 46,000 crores out of this Rs. 23,000 crores have been identified within India.
- Bidding for Rs. 1,000 crores or Rs. 2,000 crores do not change our strategy. The strategy is and will remain quality clients. Within India also our focus as I had mentioned last time will be limited to the geographies where we are present. So, there is no change in strategy. Quality of the client is the principal strategy on which we are working and that will not be changed.
- Parikshit:** Just coming back to the CIDCO project. So, now we are going to see when this is almost getting a two-year-old project now September 19 so now we are seeing some pick up, the COVID wave 1 and wave 2 has impacted but more on the working capital side. So, do you think that with so much of advances on this project mainly about close to Rs. 400 crores plus, do you think this project will require sustained capital from the Capacit'e to execute it or this will work on minimal working capital? So, much lower than the company levels of like 60 to 70 odd days, will it work operate at much lower working capital levels and free up cash flows for the company?
- Rohit Katyal:** So, firstly, the advances from this project were interest free Rs. 330 crores and not Rs. 400 crores. Out of which Rs. 25 crores have been already reduced from the execution already done. From the cash flows, it is evident, we have mentioned it earlier also on the working capital side it is a self-liquidating, self-financing project. On the CAPEX side, we may require some term loans. We will take the decision as and when the equipment's have to be purchased.
- Parikshit:** But you would not be requiring working capital loans for this project?
- Rohit Katyal:** No, we will not except bank guarantees. This will not be requiring working capital .
- Parikshit:** But what happened to the four trench of mobilization advance? Is it what I remember about Rs. 125 odd crores still pending to be availed on this project, right?
- Rohit Katyal:** Yes, that is right. But the point is that we have to start work at all the project sites and technically we have not been able to start work on the last project site. So, is the situation with all the other three contractors. So, the last tranche of advance has not been claimed as yet, and April and May have not been kind.

- Parikshit:** Okay. So, in the unbilled revenue, what will be the contribution of unbilled revenue or work in progress or inventory? So, on this project of CIDCO, how much will that amount be out of the total backlog of inventory or unbilled or work-in-progress?
- Rohit Katyal:** Rs. 125 crores from CIDCO and close to Rs. 15 crores from JJ Hospital. So, if you look at the entire financial assets of Rs. 418 crores, nearly Rs. 100 crores is coming from these three government projects is a sizable in nature.
- Parikshit:** And just lastly, on this project was to be funded by CIDCO and also from the auction of the properties or the launching of these projects. So, do you think any delays which may happen later, because of the COVID, the launching may get delayed? So, on the funding side of this project so how do you see happening or panning out for you? So, if you can just touch upon that?
- Rohit Katyal:** We believe that CIDCO has sufficient funds to pay for the current financial year. Obviously, we do not have the exact source of that and cannot be discussed or disclosed. Secondly, we also understand that the line of credit of close to \$1 billion is being made ready to execute the project on a fast track basis. Because the government has lost nearly 14 months to 15 months due to COVID and COVID related issues.
- Contractors also faced the challenge of labor reduction. So, now, once it starts, the government would like each location to be completed as soon as possible. And that is not restricted to us. It is basically across all clients, private and public both.
- Parikshit:** So, you were able to ramp up the labor yet to the levels which the project is progressing or is there any shortage here still in terms of getting back the labor?
- Rohit Katyal:** So, we do not see CIDCO as a separate, it is within the company as far as Capacit'e is concerned. The impact started from 20th or 21st of March. It was a lower impact in April where the manpower reduction had gone to 25%. It peaked to 40% in May. However, we have seen an influx of 1,825 workmen in the last one week and we hope to come back to the March status by 20th of June, current month.
- Parikshit:** So, 20th June, you will be normal in terms of labor force at your sites?
- Rohit Katyal:** I hope there are no further surprises. We have all been stuck by certain surprises, commenting becomes very difficult. But that is the idea.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.
- Parvez Akhtar Qazi:** I am not sure if you have answered this earlier, but what is the kind of revenue that we are expected from the MHADA order in FY22?

Rohit Katyal: Parvez, I will require about, the Tata and Capacit'e teams are sitting together. We believe that four buildings we will be starting, two immediately and two over the next two to three months. These are all 40 stories. So, the quantities have changed drastically. Please give us a week, I will tell provide more details to you, which will be more logical rather than me giving you an answer which will not stand up the zest of the next one week.

Parvez Akhtar Qazi: And just last question. What is the kind of overall CAPEX that we envisage in FY22?

Rohit Katyal: We have completed the CAPEX on the private sector side except for the central tower of Piramal, which has been done in the current financial year. Okay, apart from that we are looking at; I am talking about the existing order book. The new order book is not included in this. Apart from this, as I said Rs. 75 crores to Rs. 80 crores will be the CAPEX for CIDCO spread mostly in this year and some spillover for the next financial year.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: Sir, my question was regarding the revenue. Obviously on the CIDCO, you have given the guidance but on the overall side do we see a number of Rs. 1,500 crores to Rs. 1,600 crores in FY20, including CIDCO? Because CIDCO probably we can see Rs. 500 crores to Rs. 600 crores, if I am not wrong this year, based on your guidance?

Rohit Katyal: We are given a guidance and we were very confident of the Rs. 2,000 crores plus crores. However, there is too much uncertainty and therefore we are just trying to see how we can ramp up the operations in the next nine months. Obviously, God has been kind sites have not shut, though the labor reduction was there and that will impact the quarter 1 no, no doubt about it. I believe it will impact everyone.

But the impact is not as severe as it was last year, both on the labor front and on the revenue front. But we hope that with the COVID cases coming down labor movement being very strong from first week of June, we do believe that there is an opportunity to relook at the revenues and then come out with a firm number.

So, while we do not want to change any target, but the only worry is that there should not be a third wave or fourth wave. So, it would be premature to give any number. The operations team have been told to look into the fast moving projects creates certain excess revenues in the remaining nine months so that we can pleasantly surprise ourselves and everyone around us and the stakeholders.

Jiten Rushi: So, sir, any insight like you said JJ can do Rs. 150 crores and CIDCO can do x numbers. So, any other projects, which can do a large, you can contribute largely in this year in terms of revenue?

Rohit Katyal: All projects at the moment have the potential to give Rs. 10 crores plus so, the MEP works at the MCGM have started. We believe that from July or latest August onwards we should see a Rs. 10 plus crores revenue from there. Same for JJ Hospital. Similar situation will be there for

Oberoi where our order book is close to Rs. 1,700 crores. We are committed to bill Rs. 35 crores to Rs. 40 crores there. Raymonds is currently at a Rs. 14 crores billing cycle. CIDCO I have already mentioned.

So, I just told you that we will have to rework our strategy given the loss of revenue, which was unforeseen in quarter 1 of the current fiscal to see how best we can pull back and go to our desired revenue levels. Because the reduction in overheads, the reduction in cost whatever we have done over the last six months will only show benefit if the revenue increases. So, it is at the benefit of the company and all its stakeholders to relook at the strategy.

Jiten Rushi: Sir, on the unbilled side you said unbilled revenue at JJ is Rs. 15 crores and overall is Rs. 100 crores in three projects. So, I missed on CIDCO and the other government project. Can you just help me with the number?

Rohit Katyal: This is a very long list so, will send you a mail so that you can have a look and if you have any questions he will be very happy to answer.

Jiten Rushi: And sir, on the bidding pipeline is Rs. 23,000 crores, that is Rs. 11,433 crores is public and private, my understanding is correct, right sir? And balance is healthcare?

Rohit Katyal: Absolutely.

Jiten Rushi: And sir, one last question. Just on the expenses side. Obviously, you all have seen some significant reduction in expenses. As you said there was a reduction in ECL provision and some wright backs. So, sir, what could be the future run rate? Whether this would continue with lower ECL in your operating expenses would be manageable how we can? Can you just throw some light on that, sir?

Rohit Katyal: See, given our size of the balance sheet the total current ECL stands at Rs. 50 crores. There were certain provisions which were made for the whole of the year to see what COVID surprises could spring up. But since the last year has been completed, those excess provisions have been reversed, thereby resulting in additional income and that amount appearing in that total other incomes side of Rs. 12.06 crores.

Going forward we do believe that we have a good client pedigree. With no further surprises, we do believe that over the next two years the ECL will come down. ECL cannot be looked at quarter-on-quarter basis. It has to be looked at overall.

Jiten Rushi: So, this Rs. 9 crores is in other income, right?

Rohit Katyal: Yes.

Moderator: Thank you. The next question is from the line of Sita Raman from Spark Capital. Please go ahead.

Sita Raman: What are these 14 hospital projects in the pipeline that you mentioned? Is it from private sector or from AIIMS and then from which states are these 14 hospital projects?

Rohit Katyal: We are talking about of Government, Semi Government or Corporations. These are hospital projects, none of them belong to private sector.

Sita Raman: What is the impact on Q1 execution, because of this COVID and the total labor availability if we can get some sort of a ballpark figure?

Rohit Katyal: It is under assessment. As I told you, the impact started from 20th of March. So, it was quite small, maybe Rs. 25 crores to Rs. 30 crores in the last financial year. In April, the total labor shortage was 25%. It peaked to shortage of 40% in May at the peak. And as we speak, we have seen an inflow of excess of 1,800 workmen in first week of June. And we believe, given the trend, which is and the influx which is happening, that we should be at the March mid level by 20th of June 2021.

The assessment of the impact on the whole year basis is under study. We are seeing what revenue can we add in the coming quarters to negate this impact. So, at the moment, it is not ready maybe in the next 10 days to 15 days, if you connect with our IR team, or Amit, they will be able to give you a detailed answer.

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

Prem Khurana: Sir, first question was essentially on the inflows that we had in FY21. I think essentially there was only one new order that we could add or rather it was a repeat order from the existing client. So, just wanted to understand, last year was very slow for us in terms of order additions. So, is it there I mean, we went a little slow in terms of adding new orders because we were sitting on high yield order backlog which is why there was no desperate need to kind of go and bid for new projects?

Or is it there I mean we were bidding but then somehow we were not able to kind of make it a success because some of these other people were kind of eventually a little more competitive or aggressive in terms of bidding, because as I see it, I think awarding was not that at a number I mean in FY21?

Rohit Katyal: You have answered the question yourself. We were sitting on a huge order book. And we were all struck by COVID. There was practically no revenue in the first six months because the geographies where we were impacted the most. The revenue build up started in quarter 3 and bettered in quarter 4. We had promised that we will see growth in quarter 4 that is what we have shown. Now the backlog remains at Rs. 8,750 crores excluding MHADA, and MHADA our share is Rs. 4,300 crores.

So, as it is the order book is very strong, but we have internally set a target of upward of Rs. 2,000 crores for the order intake, and we believe we are well in track on that. But having said

this, the order book does give us a comfort of not going and rushing for orders which are not in our interest also which are not in our geography. So, the focus on geographical concentration will continue. And obviously, for the sake of repetition for the nth time, the quality of clients is most predominant.

Prem Khurana:

And sir, when we go for these international orders because and now we have decided to kind of go international. It is fair to assume your margin expectations will be slightly higher because generally what we have seen with international orders is you do not get to have pass through structure. Most of the times these tend to be kind of fixed price in nature. So, eventually I mean your margin expectation given the fact that you do not have that cushion which is available in India would that make you kind of target little extra in terms of the margins?

Rohit Katyal:

So, you have to see that in India also there are contracts with fixed price. There are contracts with escalation dependent on RBI indices, which is published by the Office of Economic Advisors, and there are 100% pass through contracts. Now, it is on the prerogative of a company whether it would like to take any contract which is open ended.

When I mean open ended, then it means that there is no price variation clause. No sensible contractor today will go and bid for a fixed price contract until and unless they are able to charge or provide with themselves a decent amount to capture the price variation.

What this cycle of variation has shown is that the prices have gone as high as Rs. 51,000. In the last cycle let us say four years ago had touched Rs. 45,000 a metric ton. So, at the moment whoever is bidding is bidding at the top of the cycle. These things are not possible to answer this question over a con call. This needs the more understanding of the overall market scenario. What we are saying is wherever the competitive intensity works in our favor, we will give a look at it. And if there is no variation clause, then we will not opt for it.

Prem Khurana:

Sure. And just one last bookkeeping question from my side. So, when I look at our balance sheet for March 21, there is other financial assets of almost around Rs. 560 odd crores. And when I compare it to last year figure and look at the annual report I get to see as if this Rs. 560 odd crores would largely comprise the unbilled revenues and bills due for certification. And the number is almost the same. So, which essentially, and is it fair to assume that the number would have remained the same, I think, which is why it is still the same on an overall basis?

And if that is the case, I mean, it is Rs. 530 crores, Rs. 540 odd crores of unbilled and billed due for certification and there is trade receivables of around Rs. 285 crores and then long term trade receivables of another around Rs. 81 crores, the number seems to be too high when compared to the revenues that you have booked.

I mean it works out to be almost around Rs. 560 crores plus Rs. 280 crores is Rs. 840 crores and then another Rs. 80 crores of long term. So, I understand I mean this is including retention, but still Rs. 900 crores to Rs. 1,000 crores of number on a revenue base of Rs. 900 crores for the full year looks to be on higher side? So, if you could help me better understand this please?

Rohit Katyal: Sir, please consolidate the Rs. 380 crores revenue done in the quarter 4 rather than comparing last year where the first six months were washed through. Therefore, when you are comparing the system, please you just mentioned the right figure. The total uncertified portion has reduced from Rs. 151.49 crores in March 20 to Rs. 81.36 crores in March 21, significant improvement.

The WIP has increased from Rs. 356.06 crores to Rs. 418.15 crores only due to CIDCO and JJ where activities have increased. On an overall basis, we still continue at Rs. 541 crores as against Rs. 539.11 crores on increased capital and this is what I said in my earlier answers. We believe that by December end we should be at the pre-COVID, that is FY19-20 December quarter levels and by March we are targeting to be at pre ILFs debacle levels.

Prem Khurana: Sir, just one last time if I may. What is the total retention amount including current as well as the long term or non-current balance?

Rohit Katyal: Rs. 60.17 crores. On the whole basis point it is reduced by Rs. 13 crores.

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

Parikshit: Sir, just on the AP affordable housing projects. So, are we interested in bidding for those projects which are I think Rs. 50,000 odd crores, phase 1 is about Rs. 28,000 crores which may get awarded?. So, if you can just touch upon that?

Rohit Katyal: We will look at bidding for all projects, which are in our domain expertise and in geographies of our interest. As I had said that the company would not like to take any risk beyond what the order book it has and the geographies where it is present, at least for the next four to six quarters.

Parikshit: And secondly on, you said that the creditors the change, which happened, the creditors move to cash and credit and that change is permanent, so any changes on the client side? Are you seeing the reduction in the payment days or payment period happening there so which could positively impact on our working capital because one side we are getting constrained on the current liabilities and on the other side, if the current assets payments does not change, the time line does not change then we are looking for a more expanded kind of a working capital cycle. So, if you can just touch up on that?

Rohit Katyal: So, the total year collection has been a Rs. 1,050 odd crores. March quarter saw a collection of nearly Rs. 400 crores plus. So, the point is that the creditor levels cannot go down if the debtor levels cannot go down. So, it is a concurrent function. On the contrary the debtors have fallen to the level where we have been able to repay bank debt and also reduce the creditors.

So, therefore I just mentioned the quality of the client is of paramount importance. And we expect to do the same going forward.

Parikshit: So, in the newer projects where you are talking to clients on the private side, we are seeing trends wherein the payment period will get reduced. So, the client was earlier paying you say for 90

days or 100 days may now agree to pay you may be little faster in 60 days or 70 days. So, incrementally directionally, you are seeing compression on the overall credit period which you extend to your clients?

Rohit Katyal: The debtor levels are actually on a very good level already. Now the focus is to reduce the uncertified portion, which we have been able to manage to bring down from Rs. 151 crores last year to Rs. 81 crores. Last year means FY22, Rs. 81 crores in FY21. Now the focus is to increase the billing and reduce the WIP and convert it into sales.

So, the first thing was reduce the debtor levels, reduce the size of balance sheet. Second was reduce the uncertified bills and now raise less hopefully with COVID being behind from July onwards start converting WIP into sales and therefore reduce the overall net working capital to 56 days or thereabout by 31st, March 2022.

Parikshit: The WIP has been a very high component of our current assets. So, do you see that client's now making extending better advances to you to basically overcome and fund a part of this WIP which has been substantial portion of our current assets?

Rohit Katyal: Sir, out of this entire WIP, Rs. 80 crores is of CIDCO where the advances stand at Rs. 300 crores for us. Similarly from the private sector the advances are close to Rs. 140 crores to Rs. 150 crores. So, basically the WIP is being funded by the client partially and partially through working capital.

Parikshit: Okay, so Rs. 80 crores you are saying CIDCO and about Rs. 150 crores is advances from the private clients?

Rohit Katyal: Sir, I have answered this question four or five times. What I will suggest is that our IR team will send you a mail, if you can give us your email ID and provide the details to you. It is broken up into four or five, which will give you the movement, and then we can discuss and further elaborate how going on where we would like to achieve over the next four to five quarters.

Moderator: Thank you. That was the last question. I would like to hand the conference over to the management for closing comments.

Rohit Katyal: Thank you everyone for joining the call. We hope we have been able to answer your queries. For any further information, we request you to get in touch with SGA, our Investor Relations Advisors. Thank you. Be safe and look forward to catching up in the next quarter.

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