CAPACIT'E
INFRAPROJECTS LIMITED

Ref : CIL/STEX30/Q3FY22
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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 February 15, 2022

Dear Sir

We refer to our letter dated February 08, 2022 regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company during Q3FY22 which was scheduled on Tuesday, February 15, 2022 at 11:00 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

Varsha

CAPACIT'E INFRAPROJECTS LIMITED

Varsha Malkani
Company Secretary & Compliance Officer

Encl: a/a

"Capacite Infraprojects Q3 & 9M FY22 Earnings Conference Call"

February 15, 2022

MANAGEMENT:	**MR. ROHIT KATYAL – EXECUTIVE DIRECTOR & CFO, CAPACITE INFRAPORJECTS LIMITED** **MR. ALOK MEHROTRA – PRESIDENT, CORPORATE FINANCE, CAPACITE INFRAPORJECTS LIMITED** **MR. NISHITH PUJARY – HEAD OF ACCOUNTS, CAPACITE INFRAPORJECTS LIMITED**
MODERATOR:	**MR. VIRAL SHAH – YES SECURITIES**

Moderator: Good morning, ladies, and gentlemen and welcome to the Capacite Infraprojects Q3 FY22 Earnings Conference Call, hosted by Yes Securities. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Viral Shah from Yes Securities. Thank you and over to you sir.

Viral Shah: Thank you. Good morning, everyone. I welcome all the participants to the 3Q FY22 results conference call of Capacite Infraprojects Limited. We have with us Mr. Rohit Katyal – Executive Director and CFO of the company, Mr. Alok Mehrotra, who is the President in Corporate Finance, Mr. Nishith Pujary, who is the Head of Accounts. We would commence the call with the opening remarks from Mr. Katyal to give an overview on the company's performance. This will be followed by a Q&A.

Before we begin the call, I would like to mention that some of the statements related to today's conference maybe forward-looking in nature. I will now request Mr. Katyal to begin with his opening remarks. Over to you sir. Thank you.

Rohit Katyal: Thank you very much. Good morning, everyone. We would like to extend a warm welcome to our Q3 FY22 earnings call. I hope you and your loved ones are doing well. Along with me I have Mr. Alok Mehrotra, Mr. Nishith Pujary and SGA, our investor relations team. I hope everyone has had an opportunity to review our results. The presentation and press release have been posted on the stock exchanges and on our company's website.

Before I take you through the operational and financial performance, I would like to highlight a few points. The construction industry as a whole, has seen substantial growth in Q3 FY22. The BDD Chawl project at Worli, in integrated JV with the Tata Projects Limited has begun to show signs of progress. We are working to increase the execution pace. Total billing at SPV level till 31st December 21 was Rs 127 crores, out of this share of capacite infra projects being Rs 44.45 crores, this could not be recognized in the standalone or financial statements of the company.

CIDCO projects: The sites handed over by the client have been fully mobilized along with equipments and we expect increased execution in the current and ensuing quarters. Work was suspended at Vashi truck terminal due to Flamingo birds' issue as there was an old government resolution prohibiting work within 10 kilometers radius of Flamingo habitat. Subsequently the same was changed to 5-kilometer radius. Therefore, the work could restarted in January '22. The impact of this temporary suspension on the revenue was Rs. 40 crores in Q3. I am pleased to inform that we have received a repeat order for civil works from Raymond's worth Rs 231.5 crores, from a premium project at Raymond, Thane. Order inflows to-date stood at Rs 660 crores in the current year. The company is in advanced stages of negotiation in orders worth Rs 1859 crores and therefore expects to close the current year with fresh order inflows or additions of Rs

2400 crores or thereabouts. Our credit rating has also been reinstated to investment grade to BBB stable by India Ratings.

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

The overall order book, public and private excluding MHADA, stood at Rs 8473 crores as on 31st December 2021. At the end of December '21, our order book from the public sector was 62%, while the order book from private sector accounted for 38% of the order book. Work is progressing at good pace on all fronts.

In the third quarter FY22, the company collected cash of Rs. 301 crores suggesting stable collection efficiency. Similarly, the collection for the first nine months of the current financial year stood at Rs 874 crores. The pace of execution is projected to pick up, working capital cycle excluding retention improved from 160 days in March 2021 to 99 days in December 2021 indicating positive trends. Our business model has clearly benefited from our ongoing focus on client service and cashflow management.

Our standalone financial performance for Q3 FY22 is as follows:

Total income for Q3 FY22 is Rs. 370.6 crores as compared to 347.4 crores in Q2 FY22 and 311.1 crores in Q3 FY21. EBITDA for Q3 FY22 is 62.3 crores as compared to 59.9 crores in Q3 FY21, up by 3% year- on-year. EBITDA margins in Q3 FY22 were at 16.8%. PAT for Q3 FY22 stood at 12.8 crores, cash PAT for the same period stood at 39.75 crores. The gross debt was stable at 274 crores and net debt at 88.2 crores as compared to 89.3 crores in Q2 FY22 with net debt-equity-ratio at the end of 31st December 2021 being 0.09x. With this I now leave the floor open for questions. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Faisal Hawa from H.G. Hawa & Company.

Faisal Hawa: Any part of the MHADA design element which we had gained is reflecting in the profit and loss for the Q3 as there's a lot of design element which is there and will that result in exceptional gains in one of these quarters?

Rohit Katyal: That bill offers below 53.3 crores plus price variation has been submitted. We expect the payment in this week and for the price variation in 14 days. Yes, there will be booking of design and engineering charges for the partial rehab portion in Q4 of the current fiscal. I hope that answers your question.

Faisal Hawa: You mean to say from Jan to March we will have a gain of almost 53 crores which will almost go to the bottom line?

Rohit Katyal: The SPV level which is Tata Projects and Capacite Infraprojects is following an input method. Whereas Capacite Infra follows the output method of revenue recognition. As per this input method and Ind-AS followed by Tata Projects, they do not recognize profit till 10% of the contract is over. Therefore, they will be subcontracts placed on Capacite Infra and Tata Projects, which will be proportionate to their shareholding pattern which is 65 and 35 respectively, so that we can raise our bills and recognize revenue and the bottom line at the same time. Yes, you will see some profit, not windfall profit but profit in Quarter 4 as far as Capacite Infra is concerned. However, you will see substantial profit accruing in the next financial year as the total engineering and design portion is close to 320 crores in this project. I would like to add that we have started work on three buildings. The homework is already at the project site and therefore you will see a billing close to 180 crores at the SPV level, up till the end of this fiscal and close to 600 crores in the next fiscal.

Moderator: Our next question is from the line of the Dhananjay Mishra from Sunidhi Securities & Finance.

Dhananjay Mishra: This Rs 1859 crores order which is at advance stage, so could you state the nature of these orders in terms of developer order or government orders?

Rohit Katyal: Out of this, Rs 650 crores is an order from an international client who has had a joint venture with local strong player and the balance are from public sector clients. Approximately Rs 1200 crores is coming from public sector and the remainder is coming from private sector.

Dhananjay Mishra: In terms of execution, even if we include 30 crores which you would have lost because of extension at Vashi then also we are reaching at about 400 crores. But we had been given the indication that we will reach about 500 crores quarterly run rate. So why are we lagging in terms of execution on overall basis 500 crores mark?

Rohit Katyal: I would like to clarify that I had given a 500 crores figure for Q4. Rs 550 crores and not Rs 500 crores. However, you are right there have been unexpected stoppages at the work which could not have been foreseen when I was discussing with you the last time. The company is well seized of the matters and all efforts are being taken to ramp up the execution which already has been ramped up. We are having more than 16,000 fleet at the site level. In terms of labor, we have 1500 engineering staff at various project sites. You can be rest assured that you will only see positives as far as revenues are concerned here on as we get into the next financial year which will be a high growth year. We don't expect any surprises on COVID front. We believe COVID is behind us. The third wave was only a scare, and it did not honestly impact any reverse migration of labor. So, you are right that there has been a shortfall in execution. We admit to that, however necessary steps have already been taken and you will see the ramp up here on over the next quarters and quarter-on-quarter, the growth will be substantial.

Dhananjay Mishra: But the 550 crores revenue, there should not be a major variation in Q4, we will reach there, right?

Rohit Katyal: I just told you, this was when we spoke last time. If you can send your email ID to either Amit or to SGA, you will receive a detailed note on the revenue for Q4 and for the next financial year.

Dhananjay Mishra: What was the share in Q3 from CIDCO and what will be in Q4?

Rohit Katyal: Sorry.

Dhananjay Mishra: CIDCO revenue share from Q3.

Rohit Katyal: CIDCO revenue share was only Rs 37 crores. It was supposed to be above Rs 90 crores. I just mentioned that we have lost Rs 40 crores due to the suspension of work at Vashi truck terminal. That work has already started from 12th of January, and we don't expect any stoppages at any of the six locations which have been handed over and are under execution.

Dhananjay Mishra: So in Q4 we will cross Rs 100 crores at least?

Rohit Katyal: We are on that, however project-wise revenue of the first top 5-6 projects can be informed to you once you drop a mail.

Moderator: Our next question is from the line of Rishikesh Oza from RoboCapital.

Rishikesh Oza: My first question is whether our MHADA execution has started and what will be the MHADA revenues for Q4 and FY23?

Rohit Katyal: Yes, MHADA execution has started. We have started execution of three buildings. The piling work of two buildings has been completed. The aluminum foam work, monolithic casting is already at the project site. And from the revenue perspective at the SPV level, I repeat at the SPV level, we have already recognized revenue of Rs 127 crores. We should be in a position to recognize revenue of close to Rs 200 crores in the current fiscal, Rs 180-200 crores in the next financial year. We should be confident of achieving revenue at the SPV level of Rs 600 crores. Our Capacite's share is 35% which it should be in a position to recognize from next financial year. I would like to clarify, we will not be able to recognize any revenue from MHADA project, even though the share is 35% in the current financial year because of the Ind-AS accounting norms.

Rishikesh Oza: So this revenue has to be recognized from next year, right?

Rohit Katyal: Yes.

Rishikesh Oza: If you could provide any revenue in EBITDA margins at least for FY23?

Rohit Katyal: The order book is available. However, the budgets are still being worked out. We will be in a position to give you the exact revenue figures. But it should be historic high that the company has ever achieved, close to 10^{th} of March and not immediately because project-wise plan is still under progress for the next financial year. Once the board approves the budget, we shall inform you immediately.

Moderator: Our next question is from the line of Priyanka Singh from Atidhan Securities.

Priyanka Singh: How much have we planned for this year in terms of CAPEX and how much have we spent on an annual basis?

Rohit Katyal: The total additions in the first nine months have been in core assets, 33.49 crores. We should be adding another 20 crores to it. Your current fiscal should close at close to 53.5 to 54 crores as far as CAPEX is concerned. For the next financial year, the CAPEX plan also again would be close to 50 to 55 crores. You will see a dip in the CAPEX of approximately 30 years on back of increasing revenues.

Priyanka Singh: What are our plans in terms of becoming a debt-free company?

Rohit Katyal: Our net debt still stands at 88 crores; cash flows are strong at the moment in time. We do continue with our vision to be debt-free by September of 2023, all efforts are going on. As I had informed last time that to be debt-free it will be on basis of two accounts, reduction in margins towards bank guarantee and LC's. which stands at 189 crores as on today, including accrued interest. The margins if they come down to 5%, we'll release more than 120 crores of margin money which will only be used to reduce the debt level. Similarly, we expect that over the next 18-20 months, 140 crores of free cash will be available in the company to take care of the balance debt. Having said that we clarified in the last quarter also, there could be a temporary increase in debt in a particular quarter to ramp up the operations which should not be forgotten. However, the vision to be debt-free is maintained as September '23. We shall continuously update you on quarter-on-quarter basis.

Moderator: Our next question is from the line of Khushbu Gandhi from Yes Securities.

Khushbu Gandhi: I have two questions. One is about how is the tender pipeline looking for FY23 and what is the impact of raw material price rise which has happened in raw material? So, what is the impact of it on our project? Are we having any impact on our EBITDA margins going forward?

Rohit Katyal: Good question. First, I will take your question on the pipeline of projects for FY23, extremely strong from both government and private sector. Private sector big pipelines have opened big time from December of last calendar year, and we believe that there's a serious good look ahead as far as both fresh orders from reputed clients and repeat orders from existing clients as far as the private sector is concerned. Government also in the budget, allotted 48,000 crores for PMAY projects which is low cost, affordable housing projects and all these projects now are invited on EPC basis. Capacite will also be vying for its share. Hospital pipeline continues to be strong, both at the center and the state level. Therefore all in all, the big pipeline for the next financial year, answering your question, is quite robust and we don't see it changing for the bad or on the negative side, as the budgetary allowances and allocations have already been done.

Second question was on the price variation on raw material; we have clarified earlier that all of our projects have price variation clauses. In private sector price variation is full pass through and government price variation for CIDCO and MHADA is full pass through. Balance fuel is covered under the relevant indices published by the office of economic advisors. So, answering your question, we do not see any impact of increase of commodity prices on our order book. In maybe in one quarter, you may see 1-1.5% increase in the cost of material consumption but if you compare this over the last 4 years, our cost of consumption has been quite stable and that 1.5% also or 2% increase in a particular quarter can be only attributed to price variation having been build, maybe at indices of one quarter earlier. I don't foresee any impact on our overall EBITDA for the full financial year due to any price increase for the reasons already explained. Thank you.

Khushbu Gandhi: One more question. You said that order pipeline seems good for you for FY23, any approx. number you can just give us as a guidance how much we will be expecting or how much we have already bidded in FY23?

Rohit Katyal: No, In FY23 we have not bid anything, we have bid in FY22. As I explained that, we are in close discussions to receive orders worth Rs 1859 crores. Addition of 1859 crores will take the order book back to close to Rs 10,000 crores. You can reduce the revenue of Q4 from that and therefore, the order bid backlog in its own will be substantially strong. However, taking into consideration the internal targets for the next financial year's revenue, the order inflow has been pegged at Rs 3000 crores. Generally, also for this year we had said Rs 2000 crores, but we should be doing better than that. So for next year it is Rs 3000 crores, and we wish to maintain an order backlog of close to 10,000 crores of thereabouts, excluding MHADA project.

Moderator: Our next question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: So, as we are ramping up our execution given the strong order book. So, you need to have cash flows on our side, I just wanted to pick your brains, first of all on your on the collection side. On the stuck receivable which have been quite dated, some of the painful accounts like Radius and some other accounts, with CIDCO also, I understand that on last quarter you had mentioned about 100 crores still pending to be collected. So, from the collections, what's the progress? How do you expect the releases happen from there? Secondly, you mentioned that there could be ramping in (some of the quarters because of the execution ramping up. Just wanted to understand from the liability side how are the banks guarantee limits, how are the funded, non-funded limits getting ramped up, so that we can get some relief from there. If you can connect these two things, on the asset and the liability side, it's better to understand execution ramp up?

Rohit Katyal: I'll just try to understand your question. First question is collection, second question is your status on the payments held up with the Radius and other people. Third is the ramp up of bigger projects and the tie-up of banking limits. Am I right?

Parikshit Kandpal: Yes. I basically wanted to connect the liability and asset side in terms of like how the pending payments, receivables getting recovered over the next few quarters. Secondly, on the banking side how are we securing fund and non-fund base limits? So that you can ramp up the growth and execution given the strong order book which we have. So just want to connect the two things.

Rohit Katyal: We should have by this month, about 100 crores tie up and release, to take care of our incremental working capital. This money will be parked in our CC accounts and utilized for ramp up of execution. Apart from this, State Bank of India, Indian Bank and Union Bank of India have committed additional exposure of 70, 70 and 85 crores each respectively. With this the financial tie-up will be completed latest by March and April 15th; this is point number one. Point number two so answering your question, before February-end, the company shall have enough cash availability to ramp up the projects to the desired level (a), (b) is on the collection side, We have been historically collecting close to 80% to 85% of our revenues certified and we believe that at least for first over the Quarter 4 and Quarter 1 of the next financial year, this will continue. We have seen a realization of old receivables which were in form of cost compensation from Wadhwa, from Puravankara and receivable of old money to the tune of 10 crores in the current financial year from Kalpataru. Radius exposure, we have not received any money as yet but I would like to update that their Chembur project is in advanced stages of negotiation with buyer, to whom NOC has been given by HDFC Limited, the NBFC arm of HDFC Limited and therefore we do, are very hopeful that some money from this group will be realized between March and April. Having said so our total ECL provision stands at 72 crores as on 31st December '21 which is substantial enough to take care of any shock absorber; in case our assessment of realization takes hit from time perspective. Having said so we do not expect any bad debts and we are only carrying it in the provision side. So that answers your second question as far as cash flows are concerned. What was your third question please?

Parikshit Kandpal: Third one I am going to ask now. You are saying that 75 to 80 crores each will be financial tie-up with SBI, Indian Bank and UBI. So, which will be about 240 crores?

Rohit Katyal: Yes, 240 crores.

Parikshit Kandpal: We can increase our fund-based limit by 240 crores?

Rohit Katyal: No, fund-based limit is not required 240 crores. Fund based limit is only 70 crores requirement. So that we don't require anything more than that, balance is non-fund-based limits and non-fund based limits will be utilized to get realization of retentions. So, out of the total 159 crores retentions, 90 crores is due and payable to us immediately. The efforts are on to issue the bank guarantees in March partially and in April to get these 79 to 80 crores realized by end of Quarter

1. Subsequent to that, you do not require any fund-based limits. Maybe you will have substantial portion of fund-based limits un-utilized in the system.

Parikshit Kandpal: You are saying, you will be using these 240 crores of limits, non-fund-based limits. We should be able to realize 90 crores of retention money which is 500 crores?

Rohit Katyal: Absolutely, because out of 240 crores, even if I consider 70 crores as fund-based limits; balance available because all the projects in private sector now performance guarantee is not required. In the government, performance guarantees have come down to 2% to 2.5%. Therefore, the overall guaranteed requirement is down. So, substantial portion of these guarantees will be utilized for taking back our retentions which is held with the clients, which I just mentioned to you is approximately 90 crores is due and receivable and we are hopeful of collecting about 80 crores out of this.

Parikshit Kandpal: Second part of that question was on the bank guarantees. You had said that you're looking to reduce your cash margins on bank guarantees to 5% which would be 180 crores, there could be substantial release there also. So, I think 120 crores, you said with addition to be released right. So, what are the workings there? Will the bank be agreeable to reduce your cash margin limits from 20%-25% odd to 5%? How long this journey will take to reduce it? Because that's the big negative for companies which are younger like your company as other companies have those kinds of limits but that's a huge disadvantage we have.

Rohit Katyal: Our guarantee in the consortium is at 10% margin, project specific guarantees are at 15% margin. Some of our fixed deposits are held up against term loans which we'll get clear over the next 6 months time. So, it is not only margins, it is also the term loan repayment. For example, in HDFC Bank we have 19.5 or 20 crores of fixed deposit and the total outstanding in term loan is only 10 crores. We believe that term loan will get over during the next 6 to 7 months period and these margins or fixed deposits would get released into the working capital system. When I said 120 crores, I am taking a ballpark figure. So, in the consortium, it is not a reduction of 10%, it is a reduction of 5%. In project specific, it is a reduction of 10%. Now having said so, the company is in a practice of collecting back advance guarantees on a quarterly basis. So, answering your question will the banks be agreeable? The banks will be agreeable to reduce this margin only after we have reinstated our rating to A and therefore, I gave you a timeline that by September of 2023, we believe that on release of these 100 crores we will be approaching the rating agencies again because their only concern was, we didn't have the banking lines to have enough adequate liquidity, though we have provided 2 months of repayment in this run. So, on release of these 100 crores there will be more than sufficient liquidity in the system for the rating agencies to reconsider their stance of not giving us the A rating and going back to BBB. This is what is the clarification as far as reduction of debt and how that will pan out.

Parikshit Kandpal: So, both put together so 120 crores on the bank guarantee and about 90 crores you said on account of the retention money. So, roughly over the next 15 to 24 months you will have about 200 crores of releases happening? Is that right?

Rohit Katyal: Yes, that's right.

Parikshit Kandpal: 90 crores will happen much earlier. So, 90 crores you are expecting by when? You said it's on immediately due?

Rohit Katyal: Please just listen me out. 62 crores is the term loan outstanding, out of which majority gets paid over the next 18 to 20 months. That's a self-liquidating loan which is available, which is on the books has some current maturity and some as long-term maturity. Number two, on the front of working capital, whether as working capital demand loan or cash credit limit that today as on date is 120 crores. Please note that the promoters have given 55 crores or thereabouts as long-term loan of 18 months and if need be, they will extend this loan and we are not drawing any interest to improve the liquidity of the company. When you reduce that 55 crores from the overall debt of 280 crores, then that would come down to 225 crores. Out of which you just calculated 200 crores. However, you have to take into account the repayment of term loans which will happen over the next 18 months.

Parikshit Kandpal: But if 90 crores which is on the immediately due retention. So, that will happen within 2-3 months?

Rohit Katyal: We are expecting that to happen in the Q1 of next fiscal. Therefore, that releases a substantial amount on the long-term working capital of the company. It reduces the total outstanding with the clients by equivalent amount. Therefore, the debtor days fall substantially. Number three, this debtor levels falling will have impact on the creditor level falling. So, the balance sheet in my view will be much lighter in FY22-23.

Parikshit Kandpal: On the CIDCO project. We had about 125 crores of pending mobilization advance to be taken up. Just wanted to understand from you, have we taken all the sites now and the entire order book is now with us for execution. If yes, then when do we intend to take up that balance mobilization advance from that?

Rohit Katyal: No, we have not got the location 7, Shirke hasn't got it, Shapoorji hasn't got it. Once the last location is made available only then we will be claiming for the last tranche of 127 crores, that's one part of it. However, the revenues for the next fiscal are being drawn out on the availability of the current locations which is in excess of 2500 crores and I will tell Amit to share the details with you project-wise. It also needs to be remembered that as far as Oberoi is concerned, we requested and the client agreed to remove the steel and concrete supply as free issue and similar efforts have been taken with all the clients because the commodity prices have actually doubled over the last 2 years. What a 3.6 crores LC was required for procuring 1000 tons of material, today 7.2 crores is required to procure that quantity. That is only resulting in margins getting held up, working capital getting held up. These efforts which have been taken, I believe that they will yield much higher result. For example, in January in pure labor without value of steel and concrete, we have built 14 crores on Oberoi. If you take the value of steel and concrete, at the current price level it would have been close to 38-39 crores. That's the billing which we are doing per site and as I told you, I will request Amit to send you the details project-wise for the next 15 months as far as the execution is concerned, as it will be easier for you to monitor.

Parikshit Kandpal: Besides this debt, I mean we are self-sufficient to ramp up executions, so we don't require any external equity as such. Though this liquidity seems to be like little bit of tying up of limits and all should sort it out but in the interim, we don't require, I mean there is no as such big stress here to raise external equity to ramp our executions?

Rohit Katyal: I just clarified that you should not treat the promoter debt as debt, is basically a quasi-equity, number one. Number two and more importantly the question of giving away equity at this level is ruled out. Number three, I mentioned that 100 crores tie-up will be completed this month. The day it is disbursed, you will get a message from me so that this question doesn't come up in the next quarter.

Moderator: We will take our next question from the line of Faizal Hawa from H. G Hawa & Company.

Faizal Hawa: There are so many developers now announcing new projects. They are also expecting that the current inventory will get sold out and there are so many tie-ups taking place for land and for joint ventures. How are these into top most developers like Prestige or even for example Godrej sounding you out on future projects? Are they asking you to be ready for some kind of new construction sites to be given?

Rohit Katyal: Mr. Hawa, your voice is not clear. If you can just repeat the question a bit slowly.

Faizal Hawa: We are seeing a lot of new projects and new developments being announced by Prestige, by Godrej and by lot of old developers who had land or who had SRA or some permissions taken. So, we can probably see a lot of new projects coming up once these old inventories are actually absorbed. How are these developers actually sounding you out on new projects?

Rohit Katyal: You have just seen that Raymond started with a 300 crores order went to 400-500, now it is 800 crores. That land parcel on its own has an order opportunity of 2000 crores for us and till the time the client feels that Capacite is doing the job to their satisfaction which so far, they feel we have a good opportunity. Similarly, we see that clients like Oberoi will start developing their Thane project in the coming months. So, opportunity to a large extent exists with our current clients. Like for example, Phoenix and Canadian Pension Fund who are developing the Pune mall, Phoenix City Mall which we are executing, we will be constructing two commercial buildings on top of the mall. I'm sure that we will be given our share, fair share of opportunity. Answering your first question yes, there is overall buoyancy. The buoyancy is for good clients. The sales are happening with good clients, and we are practically there with all of us and therefore, I said we do see a very strong pipelines in the private sector. You see new companies like Keppel Singapore coming into India. You see companies like Brookfield expanding their geographies. You look at Puravankara entering a big time into Pune. You see Lodha who was earlier our client, so we are not executing a project at the moment. We have started receiving inquiries for them for Pune and Mumbai. There is enough traction as you rightly mentioned, however a number cannot be attributed because we will continue to follow the philosophy of working with a client with a strong balance sheet. We do not want to burn our fingers like what happened post ILFS debacle and we have learnt our lessons. We do not want to fall in the same trap again and therefore, clients with strong balance sheet will be those with whom we will be working. That's the private sector, government equally holds a large opportunity as I've already mentioned.

Moderator: Our next question is from the line of Avinash Verma, an individual investor.

Avinash Verma: I just wanted to check what you mentioned on the rating change. So, when is it likely to happen? When would you apply to the rating agency you said?

Rohit Katyal: It will be applied, so the developments as a practice, the company keeps giving them on every month basis. Once the 100 crores temporary debt is raised which will provide more than sufficient liquidity in the system. The rating agencies will be appraised. However, we see the rating being restored in Quarter 1, after our full year financial results are published and the rating agency takes up the re-rating exercise.

Avinash Verma: In the past, generally the PAT margin has hovered around 6%. In the past concall, you had said since you have a design and engineering portion in the MHADA project, there are chances of it going to 6.5%-7%. Can we expect that in the next financial year?

Rohit Katyal: The question has been on both two fronts, EBITDA, and PAT. I have maintained that the company will continue to maintain its cash PAT level on the full year even if for the first nine-months, our cash PAT is at 9.63%. I hope that by March it should be close to the 10% mark which we have been projecting. A net profit could be 0.25% plus-minus depending on the depreciation and the tax and the credit for deferred tax. Besides that, I do not see any change. Whatever projections we have given in the past hold true and will happen in the quarters to come.

Moderator: Our next question is from the line of V. P. Rajesh from Banyan Capital.

V. P. Rajesh: Our gross margins declined about more than 300 bps in this quarter. Given your comments on the cost pass through to the customers, If you can just elaborate, if there was any one-off or that was related to the CIDCO project? If you could just give some more clarification?

Rohit Katyal: The total raw material consumed in the quarter was 43.38 as against an average of 40.57 and the construction expenses was 27.99 as against an average of 28.25. So, overall, there was an increase in the direct expenditure by 2% which transforms into Rs. 7 crores or thereabouts. However, I clarified in an earlier question that the price variation in the government projects have been taken up to September of 2021 indices. The indices have substantially increased thereafter. Once they are published in January-February, we shall be claiming these escalations. So, this is only a temporary short fall of 7 crores or increase in the cost of consumption in the current quarter. For the full year, we expect this to remain at 40.5% to 41% taking the EBIDTA back to 18.5% because the EBIDTA stands at 16.8%, 2% reduction. Similarly, the increments which were announced in Quarter 2 have been affected in Quarter 3 thereby increasing the salary bill by 2.98 crores. So, these are the only two parameters which have, very temporarily, reduced the EBITDA by likewise margin. You will see the correction in Quarter 4. It will be back to the stable 17.8% to 18.5%.

V. P. Rajesh: My second question is, what is the guidance for revenue for Q4 given these 40 crores is probably shifted into this quarter?

Rohit Katyal: What is shifted?

V. P. Rajesh: The 40 crores.

Rohit Katyal: Yes, we lost 40 crores in the last quarter. It doesn't shift. You start the work and you complete as per the revised schedule because we have received 16 months extension from CIDCO already, the first interim extension has been received. This was informed in the last conference call also. As far as our estimates for next financial year that will be approved in the board meeting in first week of March and informed to all our investors by 10th or 11th project-wise. So, Top 15 projects account for 95% or 97% of our order book. So, those will be informed around 10th or 12th of March as I explained earlier also.

Moderator: Our next question is from the line of Parvez Akhtar Qazi from Edelweiss Securities.

Parvez Akhtar Qazi: First, you said that private sector bid pipeline has improved significantly from December '21. So, just wanted to get some idea about what are the kind of orders or segments which include this? Is this largely residential real estate? Or is this in other segments also? And the second one is you mentioned that hospital pipeline continues to be strong both at center and state level, What would be the quantum of let's say bid pipeline in the hospital segment?

Rohit Katyal: As far as Capacite is concerned the bid pipeline from hospitals is seen at 2000 crores. It may be to 2 lakh crores but these are the projects which we are targeting. As I told you one of the hospital projects is under final closure and hopefully, we should have that order in Q4 of the current fiscal substantially descent size. Apart from this we see a lot of traction in the EPC segment in government as far as mixed use, which means residential and some portion of commercial is concerned, more of residential, affordable housing. In the private sector, we are seeing all segments do well. Retail is now looking up because bigger players like Ruia's along with the Canadian Pension Fund or Blackstone with respective partners whether in Pune are investing substantially into the retail and hospitality segment also. They are not looking at the current situation. Maybe their look ahead is over the next 2 to 3 years' time. However yes, apart from this, we are executing the Commerz III for Oberoi as you're aware and that project is on extremely fast pace. I recommend that you visit their project site to believe what is happening at that site. Across all segments, the progress is very well, as far as the traction is concerned. However, I would say surprisingly none of us would have believed is maybe 14 months back or 15 months back; the residential segment is seeing a huge traction within the reputed developers because the pre-sale components have surprisingly shot up like anything, you have seen record registrations; you have seen the record sales number with many of our clients which is a very heartening sign. However, we should be cautious over the next three to four quarters and therefore we would like to stick with our existing clients and new client will be only if they are as good or better than our existing clients. Yes, passion is very strong and therefore we have given a guidance of 3000 crores for the next financial year.

Moderator: Our next question is from the line of Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda: For FY22, what kind of revenues do you think you will end at?

Rohit Katyal: You just drop me a short mail and I will send you the details immediately.

Pritesh Chheda: Second, when you were mentioning that the BG guarantee or the BG margin money will get released, so incrementally where should the BG or the contingent liability that we have on our balance sheet should move down to? What is the contingent or the BG that we have today on the balance sheet? Does it mean that, now when we incrementally expand or increase our top line the BG requirements will come down and to what extent the total BG of contingent liability should come down?

Rohit Katyal: Sorry but I think you have mixed two questions. Number one, BG margin is the percentage of FD to be kept with the bank against the outstanding bank guarantee utilized. For example, if we have utilized 700 crores of bank guarantee then the margin is 15%. So, FDR of 90 crores has to be kept with the bank. What we have mentioned the margin coming down is directly related to the rating of the company and once we restore the rating to A in Q1 hopefully; the margins will fall by 5-10% across the bank guarantee and LC limits. Now this reduction will open-free the cash into the system for reduction of debt, this is what I meant. Second part of your question which you mixed up was that, do we see our overall bank guarantee requirement coming down vis-à-vis what it was 2 years back? The answer is yes, because the performance guarantees which used to be between 5% to 10%-15% have come down to 3% in most government plans, number one. Number two, even in private sector, we have seen reduction of 2.5% from 5% to 2.5%. Therefore, we believe the performance guarantee levels have come down. As far as advance is concerned, if you take a 10% advance, you will have to give 10% bank guarantee that doesn't change. In government, again the retention plus performance guarantee at most places has been restricted to 5% and therefore the overall guaranteed requirements will come down. If the guarantee requirements come down, the margin requirements additional will also come down thereby making additional money which would have otherwise gone into fixed deposits available for long-term working capital of the company.

Pritesh Chheda: My last one clarification is, we could understand that the MHADA project SPV whatever is your portion will come to your revenue from next year. When it comes to CIDCO project will it be JV accounting or again a portion of that revenue?

Rohit Katyal: CIDCO is a standalone project. It is on the standalone financials of the company that there is no JV in that project.

Pritesh Chheda: You mentioned 600 crores SPV execution, in case of MHADA next year. In CIDCO what can be the execution number?

Rohit Katyal: I had just mentioned by 10th our budget will be approved and therefore we will forward it to you and whoever sends us a short mail, the details of the revenue for the next financial year. Till such time the board approves the budget please excuse me from commenting anything.

Moderator: We will take our next question from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: In the last call, I think we were talking about execution level of maybe around 550 crores in the fourth quarter. Now on the backdrop of this bank, margins, and liquidity, so any kind of change in that outlook that we had given earlier?

Rohit Katyal: Yes. I just mentioned that the Quarter 4 projections numbers will be mailed over the next 2 to 3 days, so that the precise number can be known. And for the next financial year it will be informed on 10th of March. You have rightly mentioned that we only ramped up our execution to the level, the current cash flows and the limits could support. However, since there's a 100 crores release expected by this month, we do believe that the execution will be ramped up sooner than later and you will start seeing the difference from February-end onwards in the current quarter as well as the ensuing quarters.

Moderator: Our next question is from the line of Avinash Verma, an individual investor.

Avinash Verma: If you could just repeat on the 1859 crores order which you mentioned earlier. I just missed it. What was it? Was it an order coming through in the current year? It is expected or what was it?

Rohit Katyal: Yes, the orders are expected in the current financial year, before March 31st, 2022.

Avinash Verma: For nine-months, what are the orders we have got? It was close to 450 crores, is it?

Rohit Katyal: 680 crores approximately.

Moderator: Thank you. As there are no further questions from the participants, I now hand the floor back to Mr. Viral Shah from Yes Securities. Over to you sir.

Viral Shah: We thank the management for giving us an opportunity to host the call. Rohit sir, any closing comments from your end?

Rohit Katyal: Thank you for participating in the call. We hope we were able to address your concerns if any. If you require any additional information, please contact SGA our Investor Relations Advisor. Thank you very much and see you next quarter. Thank you.

Viral Shah: Thank you so much sir.

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