CAPACIT'E
INFRAPROJECTS LIMITED

Ref : CIL/STEX30/Q4FY22
Date: June 03, 2022

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 May 30, 2022

Dear Sir

We refer to our letter dated May 26, 2022, regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company during Q4 and FY22 scheduled on Monday, May 30, 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

CAPACIT'E INFRAPROJECTS LIMITED

Varsha

Varsha Malkani
Company Secretary and Compliance Officer

Encl: a/a

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"Capacit'e Infraprojects Limited Q4 FY-22 Earnings Conference Call"

May 30, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th May 2022 will prevail.

MANAGEMENT: **MR. ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER – CAPACIT'E INFRAPROJECTS LIMITED**
MR. ALOK MEHROTRA – PRESIDENT (CORPORATE FINANCE), CAPACIT'E INFRAPROJECTS LIMITED
MR. NISHITH PUJARY – HEAD (ACCOUNTS & TAXATION), CAPACIT'E INFRAPROJECTS LIMITED

MODERATOR: **MS. SHREYA MANIVANNAN – IIFL SECURITIES LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Capacit'e Infraprojects Limited Q4 FY22 Conference Call hosted by IIFL Securities Limited. As a reminder, all participants' 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 Ms. Shreya Manivannan from IIFL Securities Limited. Thank you and over to you Mam.

Shreya Manivannan: Thank you Mike. Good morning, everyone on behalf of IIFL Securities, I welcome you all to the Earnings Conference Call for the fourth quarter and FY2022 for Capacit'e Infraprojects Limited. We are pleased to have with us Mr. Rohit Executive – Director and CFO, Mr., Alok – President and Corporate (Finance) and Mr. Nishith – Head of Accounts and Taxation. We will have the opening remarks from the management followed by question-and-answer session. Thank you and over to you Sir.

Rohit Katyal: Good morning, everyone, we would like to extend a very warm welcome to our Q4 and FY2022 Earnings Call and I hope you and your loved ones are doing well. Along with me, I have Mr. Alok Mehrotra, President and Corporate Finance, Mr. Nishith Pujary – Head of Accounts and Taxation and SGA, our Investor Relation Team.

I hope everyone has had an opportunity to review our results. The presentation and press release has been posted on the stock exchanges and our company's website. Before I take you through the operational and financial performance, I would like to highlight a few points.

For the engine related sector FY2022 has been an exciting and a challenging year both. The sector has made significant come back aided by healthy economic growth and sector specific government initiatives. The pandemic inspired trends together with low interest rates affordability and favorable factors fueled the sectors progress and it is expected to continue to do this in the coming years.

Commercial properties are equipped with latest technological advancement which results in achieving new standards. In the commercial sector flexible working spaces and co-working have emerged as a prominent market segment. Net leasing is expected to increase as majority employers resolved to work from office. The real estate volumes were higher than pre-COVID levels on back of receding impact of COVID-19 pandemic. We anticipate a healthy sales traction going forward once things are normalized in the post COVID era. Real estate sales will rise up. Despite decline in stamp duty benefits for the consumer.

The market is witnessing rise in property registrations. The new launches by large developers will be driven by multiple tailwinds such as healthy sales momentum, demand shift to organize players which form a big and large portion of our clientele, robust balance sheet and an asset like model approach. The second wave of the COVID pandemic had an impact in the first quarter of the last financial year. The change in contract comes for the large plant in the private sector for whom materials were formally included in billings but are new provided by the client had an impact on the accounting revenues in quarter four. We are pleased to inform that the municipal corporation of greater Mumbai has issued an order for proposed turnkey development of multispecialty hospital in Bhandup, Mumbai worth Rs.599 crores excluding GST and at the same time the company has also received another order worth Rs.227.45 crores excluding GST from a prestigious private client for construction of residential projects comprising civil, RCC, that is still in core works at sector 58A Seawoods, Navi Mumbai. This new order allows us to diversify our clientele, churn rate, additional revenue and manage commodity risk via complete pass-through mechanisms

Now allow me to give you an overview of our operational performance during the quarter the overall order book public plus private excluding MHADA stood at Rs.8702 crores as on March 31st, 2022. Residential accounts were 30% of the order followed by commercial an institutional at 15% and mix use at 56%. At the end of March 2022, order book from public sector was Rs.5148 crores, representing a 59% of the entire order book while our order book from the private sector was Rs.355 crores accounting for 41% of the total order book. Work is progressing at a decent pace on all fronts. Our business model has clearly benefitted from our ongoing focus on client service and cashflow management.

Our standalone financial performance for FY2022 is as follows. Total income for FY2022 is Rs.1347.9 crores, total income impacted to the extent of Rs.45 crores in Q4 due to change in contract terms of a private sector large client were monthly billings are being done without of steel and concrete as the same are now being supplied by the client as pre-issue. EBITDA stood Rs. 226.6 crores with margins of 16.8%. Profit after tax stood at Rs.44.7 crores. Gross debt including promoter's debt stood Rs.328 crores. Net Debt remained stabled at Rs.128 crores with net debt to equity at 0.13x. The working capital excluding retention improve from 99 days in December 21 to 91 days in March 22 indicating a positive trend. Strong collection efficiency generated Rs 1172 crores in FY2022 and Rs 297.39 crores in Q4 FY2022.

With this I now leave the floor open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Congratulations on good set of numbers especially on EBITDA margin, given the high inflation. Sir my first question is, how much of the revenues you missed booking in this quarter and what is revenue and EBITDA margin guidance for FY2023. This is my first question Sir.

Rohit Katyal: So, the revenue which we could not book in the current quarter due to shift of one big project where the material was earlier being procured by us and in his quarter has been procured by the client as pre-issue is Rs.45 crores. So, if you would have added that in normal case the revenue would have been close to Rs.390 crores. Second point is on EBITDA prospective our first two months of the current financial have seen good traction and basis of that we believe that our EBITDA profile should remain between 16.8-17.5% going forward.

Mohit Kumar: The revenue guidance Sir for FY2023?

Rohit Katyal: FY2023 we see a revenue guidance upward of Rs.1800 crores.

Mohit Kumar: What is the status MHADA order. This particular start work from Q4 if I remember, so much of revenues so expect to poke in FY2023 and I think the revenues will be booked in our portion to move directly in the standalone revenues. It that understanding, correct?

Rohit Katyal: Your understanding is correct. First of all, the project has started in Quarter four of the last financial year. It has booked a total revenue of close of Rs.125-150 crores. Now that revenue is appearing in our books because of certain restrictions in Ind AS 116 identification of income guideline and therefore both Tata and Capacit'e have agreed to subcontract individual works to their individual companies from the LLP and therefore you will see recognition of revenue in the current financial year. At the moment, there are six buildings which are under construction at the project side and we have also received the IOD and CC for the same buildings for six towers and we should be looking at recognizing at the LLP close to about Rs.500 crores of revenue in the current financial year. It should be remembered that the owners of giving all the permission lies with the client and these projections are based on whatever has been received and what has been committed by the client to handover over the next three months. And therefore, we shall update you during the next quarter's earning call on any change if any.

Mohit Kumar: Lastly, on the order inflow, order inflow has quite muted for us in FY2021 and FY2022, how we see the FY2023 to receive the order pipeline looking better than last couple of years and what is the guidance what we believe the kind of orders you like to get in FY2023.

Rohit Katyal: So, if you consider that we were already L1 in three orders in the last financial year. Fortunately, unfortunately, they got culminated two of them in the current financial year. The third one is expected to be culminated also in this quarter or sometime thereabouts. So, the order traction from are since practical perspective has not been muted. Secondly, if you look at our order book as we speak today is in excess of Rs.9500-Rs.9400 crores, now Rs.9400 crores on standalone basis excluding MHADA is a very sizable order book which easily gives you a revenue visibility of four to four-and-half years or at least three-and-half to four years, so that one part. Second part in the current financial year since you say, you have seen a muted last year. We expect to book at least the order value of what we execute, so the trend should be between Rs.2000-Rs.2500 crores for the whole of current financial year FY2023.

Mohit Kumar: So, what is the size of the third order, the L1 if you can diverge?

Rohit Katyal: It will be upward of Rs.600 crores, I cannot diverge anything else.

Mohit Kumar: Understood. Thank you, Sir. And all the best. Thank you.

Moderator: Thank you. We have the next question from the line of Dharshit Jhaveri from Crown Capital Partners. Please go ahead.

Dharshit Jhaveri: Congratulation on a good order book and everything. Most of my questions you have answered. I just wanted to ask something, Sir, we currently on date we have around Rs.9500 crores worth of order and as you just right now said that would be a good visibility for 3.5-4 years. So, Sir, our guidance for Rs.1800 crores revenue this year seems a bit conservative and I am sure we can achieve more than Rs.2000 crores. Any comment on that Sir?

Rohit Katyal: Let us be a little conservative, we shall discuss about revised target if at all at the end of quarter 1 when we have a con call and if you are present in that, you may raise this question again and I will be happy to answer that. Let me be very honest, we have not been able to achieve what we intend to do in the last financial year and there is no shame in running away from that fact. We worked on the basis whatever cashflow we had; however, we have raised Rs.100 crores debt at the end of March which has helped us to ramp up revenue in the first two months of the current fiscal even after providing for one of the major labor jobs where steel and concrete as pre-issue. So, answering your question yes, we have all the ammunition to increase our revenues but at the moment let us keep it Rs.1800 crores and we shall look revising it upwards when we speak to you during our quarter one conference call.

Mohit Kumar: And one more question Sir, I just wanted to confirm the commodities prices, we are able to pass completely or is there some lag in it.

Rohit Katyal: I, reiterate that we are able to pass our commodity prices in totality in private sector. In CIDCO, the same will be applicable for the new MHADA project we expect in BMC, we are able to bill, complete price variation which at this moment for the January to March quarter stands close to 16.0 odd percent which more than cover the steel and cement commodity price increase. So, we may gain but we will not lose from any change in the commodity price upward or lower.

Moderator: Thank you. We have next question from the line of Sagar Parekh from Deep Financial Consultants. Please go ahead.

Sagar Parekh: My first question is on the cashflow so if I look at your cashflow statement right, the overall free cash flow is still negative FY2022, so what I am adding is your net cashflow from operating activities which is Rs.34-Rs.35 crores then I am subtracting the interest cost which is about Rs.62 crores and then there is another capex of about Rs.100 crores, right? So, overall free cash flow for FY2022 is still negative Rs.130 crores. My question is how should we think of improving this cashflow and becoming cashflow positive at least because you are talking about additional of another Rs.500 crores in revenue that would entail another Rs.150-Rs.200 crores incremental working capital for FY2023. So just wanted to check how should we think of free cash flow becoming free cash flow positive in FY2023?

Rohit Katyal: Good question Sagar, the point is that I had guided that we will be over and done with major capex for all our projects in last financial year due to increase in commodity prices especially aluminum from Rs.101 Kg to Rs.180 Kg we overshot the budget by Rs.15 crores to Rs 18 crores. However, we do not expect any major capex in the current financial year. If you see that the focus on the new projects is institutional buildings which do not require capex like in Super High Rises, you also noticed that we have not announced any Super High Rise order inflow though we had big opportunities in that field over the last 6-8 months because the capex over there is nearly 8%-12% of the project cost which means the cash outgo towards capex will be significantly lower in the current financial year and only with the reduced cash outgo towards capex and increased margin due to enhanced turnover can the cashflow become positive after adjustment towards to investing activities. And therefore, we do believe that there is a very good opportunity for the company to be cash flow positive in the current financial year.

Sagar Parekh: How much would be the capex estimate for FY2023 then?

Rohit Katyal: So the capex estimate including Vashi terminal is Rs.24 crores and the rest you can say Rs.6-8 crores. So, about Rs.42 crores will be the total capex but this will be projects specific and obviously the depreciation would be close to Rs.43-Rs.44 crores in the core assets. So, the net increase in the core asset, will be nil or may be on a lower side.

Sagar Parekh: Okay Sir, this Rs.42 crore number is including the maintenance capex, right. So including the overall would be Rs.42-43 crores versus which was about Rs.102 crores.

Rohit Katyal: So, Sagar I would like to clarify, that maintenance we write on the face of the P&L account and we never capitalize that. We only capitalize, new purchases any maintenance minor/major is written off on the face of the P&L account.

Moderator: It seems that the participant has dropped from the question. We will move to the next question Sir. We have the next question from the line Anjana Shah from Shah Investment. Please go ahead.

Anjana Shah: So, I have two questions first I just want to understand that we have lost around Rs.45 crores of revenue due to change in contract term of large private client. So can you please tell us regarding this contract, also are we expecting any further change in contract in coming quarter with any other client.

Rohit Katyal: No, we are not expecting any change in this instant particular order the base rate was Rs 27,000 per metric tonne and the price of the steel has gone to Rs 72,000 per metric tonne plus taxes and transport and unloading charges. So in nutshell you procuring material at 75% rupees a metric tonne while the base price in the tender was Rs 27,000. Now, you can imagine that if you start investing at the rate of Rs 75,000 where your base price is Rs 27,000 it is a substantial money inflow which happens and the reimbursement of which comes on a quarterly basis. So that is the only change, no other terms and conditions of the contract have changed on the contrary performance guarantees have come down. So I do not expect any changes from any other client in the coming quarter or quarters.

Anjana Shah: Sure. And secondly Sir, if you could throw some light on our other income because what has happened is, it has half compare to last year. If you could throw some light on it.

Rohit Katyal: Can you please repeat your question mam?

Anjana Shah: Sir, my question was at other income YoY has half. It is reduced by 50% so if you could tell me the reason for it.

Rohit Katyal: It is basically scrape sales. It has doubled the other operating income.

Anjana Shah: No Sir, I am not talking about the operating income, I am talking about other income which is the non-business income.

Rohit Katyal: Non-business income, there is an impact of Rs.3 crores in the service charges and if service is nothing but the rentals which we charge from our joint venture companies for equipment which are provided. In this instant, for the current financial year, there is a reverse charge of Rs.1.52 crores, thereby having a total impact of Rs 3 crores. Hopes that answers your question.

Anjana Shah: So, Sir, can we assume this to be as a one-off situation. Is this an exceptional item?

Rohit Katyal: Yes, it is a one-off because we do not at the moment have any other JV and except with Tata project and in that I do not see the company receiving any equipment. It may give away some equipment's on hire and if that happens there will be an increase in equipment higher charges or service charge income as the case may be.

Moderator: Thank you. We have the next question from the line of Sameer Dalal from Natverlal & Sons Stock Broker. Please go ahead.

Sameer Dalal: Thank you for the chance for asking the question. It is in regards this contract that has changed, you said Rs.45 crores of revenue of course was not recognized and of course because of which the EBITDA profile changes. So, my question to you is cement and steel a lot of it has passed-through, right like you said. So, with revenues coming down if were ever to look at EBITDA margin, the margin profile should actually increase, right based on the fact that you do not have it in the revenue front. So, why are we not seeing in the EBITDA margins?

Rohit Katyal: You are seeing an increase over year-on-year but you cannot compare to the pre-COVID year because the revenues were more than Rs 1500 crores. Your salary biz was similar so the point is that there is an impact when your revenue ditch to Rs.40 crores as against Rs.50 crores. The fixed cost remains the same and that is why, you see an impact on the EBITDA by nearly 1.5%. So that is the reason why you do not see a positive impact on the EBITDA even while there was Rs 45 crore impact on the topline because of not recognizing concrete and steel even though it had a pass-through.

Sameer Dalal: Okay. Second question is regarding again, that somebody was already asking regarding the cashflow and it is a continuation to that. So, when we go up to about Rs.18,00 crore turnover, our working capital cycle is at about 90 days. Will that remain at these levels, or do you think you can bring down the working capital a little further because that eventually even comes down to the same question which is how the cash flows can be managed.

Rohit Katyal: So, you please have a look pre-COVID levels especially the highlighted levels. The net cash flow was 56 days excluding retention money and this had gone up to 181 days. In the last financial year because of COVID impact, 159 days to be specific this has come to 99 days at the end of December 31st quarter and we guided that it will down substantially, so it has come down by another 10% to 90 days now. You will see a significant improvement in June quarter and subsequent quarters intention is to at the 56-60 days level excluding retention money by the end of the current financial year as was guided earlier.

Sameer Dalal: So that will be some amount of release from the cash.

Rohit Katyal: That will be a substantial because the point is that your project traction has already started as I told you the first two months of the current fiscal have seen a good traction as far as revenues in spite of the pre-issue material is concern and we do believe that these things will positively impact two aspects of the business convert with into sales and therefore debtor and realization of which have an impact on the working capital cycle. Number 2, the creditor level in spite of increase in commodity prices by nearly 70%-80% are at Rs.503 crores or whereabouts we see a slight increase to Rs.550 crores to pre-COVID level this will again impact the level of net working capital. So, these two in tandem with increase in growth in revenue will show you the results which you are expecting.

Moderator: Thank you. We have the next question from the line of Nisha Desai from Raga Securities. Please go ahead.

Nisha Desai: Sir, I just a question, if you could give an update on the MHADA project. What is the current status about it?

Rohit Katyal: MHADA projects which is been executed under Tata projects capacit'e construction LLP. The work has started on six rehab buildings of 40-storeys each apart from that, we expect 10 building further. So, total 16 buildings to be under construction in the rehab portion in the current financial year, over various periods and we have got IOD and CC approval for the sale building of six towers, we expect two towers to start after three months once the wind tunnel test is completed. So, this is what we foresee as far as at the current status as far as the MHADA project is concerned. On the revenue front, as I already answered in earlier question giving the current status and commitments from the client for approvals and handover, we anticipate a revenue at the LLP level of Rs.500 crores.

Moderator: Thank you. We have the next question from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.

Parvez Akhtar Qazi: First question is if you could give some update the CIDCO project what is the work status there and have we got all the work orders for all the sites?

Rohit Katyal: Hi Parvez, the total status remains that we have received the seven sites also but the environmental clearance from the client side is pending so in effect 48% of the land available. The company as exceptional I tell you has built Rs.22 crores in the current month for that project and we expect that amount to increase by 33% over month-on-month for the next two months. So we should be reaching the peak for the current land availability in the next quarter, that is number 1. The last location, I expect that given the current status, the environmental clearance should take about two to two-and-half months and once we have that we shall properly intimate you.

Parvez Akhtar Qazi: Okay. In terms of debt level where do we be let say by end of FY2023.

Rohit Katyal: If you look at our debt level at the end of the last financial year, March 2021 was Rs.297.99 crores which included CC, term loan, emergency line of credit and small portion of COVID loan of Rs.1.63 crores. As of March 2022, after utilizing close to Rs.70 crores of additional debt taken, we stand at Rs.288.42 crores. So, I do believe that this debt will increase by close to Rs.50 crores in quarter 2 and thereafter, you will see reduction of close to Rs.75 crores by the end of the current financial year.

Moderator: Thank you. We have the next question from the line of Deep Sangoi from Banyan Capital. Please go ahead.

Deep Sangoi: Just a question on the debt side so are you saying that the debt by the end of current financial year will be more like Rs.200-Rs.215 crores?

Rohit Katyal: I cannot give you an exact figure; however, you may note down that our total debt as on March 2022, gross basis stood at Rs.282.42 crores, excluding promoter's debt which will continue to remain in the company and add some portion may get converted into equity. So Rs. 282.42 crores add to this as I told you there will be short term increase of Rs.52-Rs.60 crores and thereafter a reduction of Rs 75 crores by March. So, nutshell your debt should remain at close Rs.305-Rs.310 crores by the end of the current financial year on gross basis. On net basis obviously, you will have to reduce another Rs.190 crores to arrive at that. So, the net debt continues to be close to Rs.120 crores which is consistent with what we have been projecting in the pre-COVID period and over the past few quarters.

Deep Sangoi: Right. That is helpful and earlier you had guided that you will completely debt free by September 2023, so does that timeline still stand or that will also change?

Rohit Katyal: Obviously, with the COVID in the first quarter, we remain committed if the bank releases of the margin happen. We shall be close to being debt free in the early part of the next financial year. However, I will be able to give you a very firm and a committal answer. In the first quarter conference call please remind yourself to log in and you shall have the answer.

Deep Sangoi: Okay that is helpful and just on the business side how is the sentiment in the pipeline and the reason I am asking is, given the commodity price increases, are you seeing the builders pulling back on their projects and therefore these pipelines has come down. If you can give some commentary on that side.

Rohit Katyal; You will see certain negative impact on the very low-cost housing, I am not talking about affordable housing. Low-cost housing means where the sale were happening at Rs.2500 and Rs.2800 because my estimate is that the overall impact on construction will range between Rs.400-Rs.600 due to commodity increases and in a very low-cost housing project that the sizeable amount to wipe out the entire profitability, especially when the sales have already happened in the recent months. So, since we are not in that segment very low-cost housing at all. The impact of that does not happen to Capacit'e, having said the traction both in government and private sector is very high. Good developers continue to benefit consolidation in SRA is going to happen. There has been a latest government resolution whereby wherever financial institution's money has been stuck in SRA project they are allowed to take a new developer of repute and SRA will transfer that project to the new developer and financial institution consortium weaving out the 5% premium charges. These things are very positive and obviously the traction looks very strong and I should mention that health care traction is at the highest level I have seen in my career.

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

Jiten Rushi: So, I just heard in the question that you had built for Rs. 22 crores in April, CIDCO. So, what kind of revenue we can expect in Q1 and Q2 and then in Q3, Q4 one should get the remaining land parcel and the total revenue from CIDCO in FY2023?

Rohit Katyal: Jiten, let us not talk about the total revenue including location 7, we would like to only give what it available Rs.2348 crores land available on which construction is going on at the moment which is close to 47%-48% and as I told you. The peak from next quarter over there will be in excess of Rs.40 crores. What I mentioned was in month of May, we have built 22 crores, month of June we will increase that to Rs.31 crores and in a subsequent month it will be close to Rs.40 crores. Taking that into consideration, we believe that we should easily be targeting close to Rs.450-Rs.500 crores revenue from CIDCO in the current financial year. However, if in case we happen to lose Rs.50 crores over there we have sizable revenues coming MCGM, hospital two of them and JJ Hospital and that is why we are very optimistic on the Rs 1800 crore revenue guidelines.

Jiten Rushi: And Sir, this Rs.500 crores of MHADA revenue which is in LLP, our side would be pro rata, right Sir?

Rohit Katyal: 35%.

Jiten Rushi: And Sir you also talked about the commodity price hike. So, you said that your order book is fully covered with price escalation. So, the EBITDA level there is no impact. Is my understanding correct Sir.

Rohit Katyal: Yes. Absolutely.

Jiten Rushi: And Sir, coming back to few balance sheet numbers, so can you highlight unbuild revenue mobilization advance, outstanding retention money, outstanding as on March and also the free cash?

Rohit Katyal: The total unbilled revenue has come down to Rs.456 crores, out of this in the last month, we have already got bill certification of Rs.60 crores. So that will be another reduction. Your second question was cash on the books. Cash on the books in fixed deposit is close to Rs.187 crores. This includes an amount of Rs.27 crores lying in the bank's CC limit free for utilization.

Jiten Rushi: And free cash would be how much Sir?

Rohit Katyal: Rs.27 crores is lying as free cash for utilization; however, it does not include the free LC limits of close to Rs.55-Rs.60 crores which are also available for working capital.

Jiten Rushi: And Sir on the mobilization advance outstanding and retention money.

Rohit Katyal: The retention money is Rs.160 crores and the mobilization advance other than CIDCO is Rs 140 crores and it is approximately Rs.246 crores from CIDCO. So, you have close to Rs.386 crores of mobilization advance. However, CIDCO will reduce by approximately Rs.110 crores in the current financial year.

Jiten Rushi: So, these are interest bearing.

Rohit Katyal: Not interest bearings, none of our advances are interest bearing except MCGM, Rs.16 crores which is very minuscule part and is captured in the finance charges.

Jiten Rushi: And Sir on the total bank limits and what is fund base and not fund base and their utilization level please?

Rohit Katyal: The total SS limits for FY2022-FY2023, SS by the lead bank SBI are Rs.1130 crores. Fund base is Rs.190 crores, utilization is Rs.120 crores, non-fund is Rs.940 crores and bank guarantee utilization Rs.410.7 crores LC utilization is Rs 145.18 crores.

Jiten Rushi: And Sir, again coming back to the opportunity pipeline so with the interest rates cycle going up, commodity cycle expected to cool off. So will this help us in terms of new order interest because it is getting offset with the cooling off of commodity prices. Do you see strong opportunity from private developers?

Rohit Katyal: We should wait for at least a month before deciding on the commodity pricing. It has been more volatile than ever seen at least my carrier. We have seen Rs 43000-Rs 72500 in a period of two months and we have seen a fall of Rs.12 kg in a time period of 9 days. Now with the import/export duty of 15% in place. If there is a clash in the coal prices, you will see a correction Rs.7-Rs.8 kg that is my guess, please do not take it for granted. However, the price coming down to Rs 5900 plus Rs 3500 as other cost. I still believe that there is big relief for the developer community number 1. Number 2 but no one is going to act in haste and steel is not only the one part, the non-traders the aluminum prices which had gone to Rs.275-Rs.280 kg seeing an 80% increase over the last 15 months, that should also cool off, similarly the copper prices have to cool off to see meaningful decrease in the NAP costs. So please wait for a month before we come to any conclusion.

Jiten Rushi: Sir, just one last thing, the VOC in reduction in the order backlog of Rs.45 crores and this reduction is full and final or we will see further reduction in the last projects which you have executed.

Rohit Katyal: No, the order book is of Rs.9000 plus crores accounts for the entire reduction of steel and concrete in that order.

Jiten Rushi: That is all from my side Sir. Thank you. And all the best for the new financial year.

Moderator: Thank you. We have the next question from the line of Sagar Parekh from Deep Financial. Please go ahead.

Sagar Parekh: Sorry, my line got dropped in between so I could not regarding my question on the cash flow so you mentioned that about Rs 40 crores would be the capex for the FY2023, right? Rs.42 crores.

Rohit Katyal: Rs.42 crores, yes.

Sagar Parekh: Okay basically, then we will be cashflow positive and did I hear the debt number correct, you said by the end of FY2023, your debt would be Rs.305 crores.

Rohit Katyal: Approximately, on gross basis.

Sagar Parekh: Yes, on gross basis, Rs.305 crores so that is still an increase of Rs.20 crores from I am talking about ex-promoter debt so that is still an increase from FY2022 levels in spite of us being free cash flow positive. So, I was just trying to match the two numbers why would our debt increase, if out cashflow is positive?

Rohit Katyal: See that we have to five an indicative figure of the limits we are going to joined. You always have some cash balances available the question cannot be answered on exact terminology basis that I will be at Rs.271.5 crores, I have said that the company will require close to Rs.50 crores to further peak up its operations and thereafter the reduction will happen. Now we are targeting reduction of minimum Rs.75 crores and that obviously is going to happen through two things, one is through the cashflow improvement and secondly through the margin improvement with the banks. Okay no one wants to intend to keep Rs.190 crores at 5% and 4% in the bank. So, what I have given is the maximum overall debt level anticipated for FY2023. Yes, you are right that does show a Rs.15-Rs.20 crores over the current the financial year but as I told you, people were expecting an increase in the current financial year also but even after availing Rs.77 crores of additional debt there been reduction in the overall debt by nearly Rs.10 crores. So, the same thing would happen because we are not taking into account at the moment the term loans of Rs.60 crores of which nearly Rs.36-Rs.40 crores will be prepaid in the current financial year. So, if you take that into account your total net debt will be Rs.305 minus that Rs.36-Rs.40 crores but whether this Rs. 36-Rs.37 crores do not hold me to ransom that figure could be Rs1-Rs.2 crores plus. So, I am giving you the Bank limit availability on working capital, term loan as you are aware has shown a reduction year-on-year and there will be a reduction of at least Rs.36 crores in the current year from the term loan repayment. So on term loan plus working capital basis you will see a reduction of Rs.305-Rs.306 crores minus Rs.36 crores.

Sagar Parekh: Okay so this Rs.282 crores excluding promoter debt is inclusive of the term loan as of March 2022.

Rohit Katyal: Absolutely.

Sagar Parekh: And this Rs.305 crores which you said earlier was only the working capital loan.

Rohit Katyal: Working capital, so you will have to imply the reduction in the term loan which approximately is Rs.36 crores and if you put that you will be lower in the current financial year, let us hope that the bank sanctions are at more lucrative from margin perspective. We have already the assessment note on the lead bank once we have the revised sanctions in place. We will be able to give a more promising or accurate commentary in quarter 1 of the current fiscal conference call.

Sagar Parekh: Great. So, my point was that at 18 hundred crore level also if your debt levels remain or probably go down then the company looks in a good footing. So just wanted to give my feedback on that probably try to match your numbers by not increasing the debt basically that is the only point I have. Thanks.

Rohit Katyal: We could have increased our revenues to Rs.1500 crores then you could debt this year. We believe in long term strategy. We have seen two tough years but we have not wilted away from our aim of ensuring that the operations have to grow only on the basis of the cashflows generated and that is what we are focused on.

Moderator: Thank you. We have the next question from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Just a couple of clarification on this Rs.1800 crores revenue is purely your share, right? So, when you mentioned that CIDCO will be Rs 400 plus and your share is 25%. So, when you are mentioning this Rs.1800 crores, you are mentioning rest is the Rs.1300 plus number which you mentioned.

Rohit Katyal: Yes, it is our number standalone financials of the company.

Pritesh Chheda: My second question is Sir, where are we on the debt rating status and there was this debt about Rs.200 cores debenture raising. So now this is against strapping of our existing debt or I could not understand this personally.

Rohit Katyal: Number 1, the rating was upgraded within three months stands as a record to BBB stable….

Pritesh Chheda: I think A getting preponed. Yes I was just seeing from that angle.

Rohit Katyal: Yes. So, BBB no one could have the same institution possibly could not have given A within three months. However, we will be approaching them with a new financial our due date is August again but we will be discussing then to approach them after Q1 results and obviously we will be seeking reinstatement of our A rating.

Pritesh Chheda: And the debenture?

Rohit Katyal: Secondly, we have never mentioned that we will raising Rs.200 as denture, we have given an approval for Rs 150 crores; however, we have raised Rs 100 crores as debenture that is the increase in debt which we mentioned that is the part of the debt profile which we have mentioned to you and there will be no further debt increase through debenture henceforth. So that Rs.150 crores was only a enabling resolution the company decided to restrict to Rs 100 crores which is a part of the overall debt.

Pritesh Chheda: No Sir, I am confused now so the Rs.130 crore net debt that we see or a Rs.328 crores gross debt, have we raised it or is just an enabling resolution?

Rohit Katyal: It has been raised it, we have raised it on March 31st and out of that Rs.80 crores was raised on March 31st alright and close to Rs.60 crores was already utilized. So, it appears in your balance sheet, in the debt area.

Pritesh Chheda: And this Rs.128 crores you are saying net debt will first rise by another Rs.50 crores and then we will see a tapering off that is how you are mentioning, right?

Rohit Katyal: Yes. Because you are trying to increase your revenue by Rs.40 crores with a net working capital of 90 days you are looking at approximately increasing the cost of Rs.75 crores and that is why I said including the inflows and margin release. Rs 50 crores will be the additional debt increase you will see and subsequently you will see a reduction of Rs 75 crores on the working capital side. Apart from that the repayment of term loans will constitute Rs.36-Rs.40 crores. So, on the overall debt you will have a similar or a lower figure than the current financial year, that is our expectation. However, as repeated earlier, we will be able to give you a perfect commentary answer during our conference of June quarter.

Pritesh Chheda: Sir, my last question is, we see a lot construction activities obviously happening around in terms of newer projects but when I see your inflow it is still not reflecting. So any comments there?

Rohit Katyal: There is a order book stands at Rs.9500 crores currently with L1 position nearly Rs.600 plus crores that is more than sufficient, the order mix is 60-40 between private and government. Now with a revenue projection of Rs.1800 crores, we can only book orders which get executed in the current financial year. There is no harm in going and taking orders and spoiling the EBITDA profile of the company or the cash profile of the company. The point is that why do you say that we should go and book orders more than Rs.4000 or Rs.5000 crores. The company's order book is stable at Rs.9000 crores. Once we achieve Rs.2500 crores, obviously the order target will go to Rs.3000 and the company over the existence of its nine years has proved that it has always taken an improved order book profile both from quantity and quality perspective. So, this year we have given a guidance of Rs.2000-Rs.2500 and we are more than hopeful of achieving that.

Moderator: Thank you. We have the next question from the line of Darshan Deora from Indvest Capital. Please go ahead.

Darshan Deora: Sir, your order book is quite large, wanted to understand from you, what is the impediment for executing on this order book. Is it shortage of labor, is it working capital challenges or is it site availability?

Rohit Katyal: Mix of it, site availability was there pertaining to CIDCO up to quarter 4 mid which I explained last time has been removed only one location constituting 50% is balanced to be given and that is why our current years revenue guideline does not include that location which is expected by end of quarter 2. There were working capital challenges which we have overcome by raising about Rs 100 crores of non-convertible debentures which form a part of our debt and therefore there has been increase in revenues in April and May of the current financial year. Number 2. What was your third question?

Darshan Deora: Regarding labor.

Rohit Katyal: Labor will always be a challenge, right from L&T to the smallest contractor. So, we are close to 15000, 16000 workmen boots on the site. We had to take it 19000 and in India we have a lot festivals, the latest was Eid and labor is returning from Eid and you should have excess labor with the onset of monsoon. So at least for the over next 3-4 months we do not see any labor challenge but as you know that there is lot of infrastructure activity going on. So there is infrastructure boom in building. It is there in road sector, hybrid sector. It is there in the metro sector. It is there in practically any and in every sector which you see is at the peak of order award and execution. So, there will be shortage of labor and only how well you pay them will be the determining factor to retain the workforce at site, that is what we are focused on and 15000, 16000 workmen is only suggestive of the steps which we taken to ensure that we retain that labor strength.

Darshan Deora: My second question was, regarding the price increases so as you guided, the most of the price increases on the commodity side, sort of can get passed on to the client. What about any increase in the labor cost?

Rohit Katyal: We have not seen any significant increase in the labor cost which visible from our construction cost expensive. The labor contractor charges continued to between 21%-22.5 % over the last four years, obviously a portion of that also comes with enhanced revenue. Second push part is that in the private sector we add the labor cost escalation in the pricing itself. In the government contracts there is an escalation cost to cover the labor cost increase. So, it not that we are not uncovered for labor, we are covered but I cannot say 100% may be up to 80%-85%. But the balance which is taken into consideration during estimation takes care of any over spill. However, when you see our financial you will see that the stability in the cost of construction labor, subcontract charges, when you get the entire consolidated balance sheet. It is given in the reference book no.34 which shows that stability of labor to our sales percentage has been very stable over the last 4-5 years.

Moderator: We have the last question from the line of Deep Sangoi from Banyan Capital. Please go ahead.

Deep Sangoi: Just wanted to clarify this Rs 100 crores NCD is included in this Rs 328 crores number, is that correct?

Rohit Katyal: The utilized portion is included, the unutilized portion of Rs.27-Rs.28 crores is a part of the cash. However, as I told, you any increase in this will get offset by the repayment of the term loan.

Deep Sangoi: Right. So, you are saying Rs.328 plus another Rs 30 crores of NCD is to come and that Rs 30 crores is part of that Rs 50 crores you talked about that the debt will go up to. Is that the right to think about it.

Rohit Katyal: Absolutely.

Deep Sangoi: Okay then what is the interest cost on NCD.

Rohit Katyal: I can give you the average interest is between 9.5%-9.75% for the company on overall. Different cost cannot be provided obviously this is unsecured and therefore it will be higher than the bank rate, but on an average, 9.5%-9.6% is the average cost of finance for fund base limits across including term loans.

Deep Sangoi: And then there was a notification that promoters are going to do a preference round so should we assume that the new capital infusion or are going to convert your existing loans into equity.

Rohit Katyal: Our existing loans will be converted in equity to enable the company to breakdown the debt by Rs.55 crores.

Moderator: Thank you. As there are no further questions. I would now like to hand the conference over to Mr. Katyal for closing comment.

Rohit Katyal: Thank you for participating in the call, we hope, we were able to address all almost of your concern if require any additional information please SGA, our Investor Relation Advisors. Thank you very much and see you in the next quarter. Bye-bye.

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