CAPACIT'E INFRAPROJECTS LIMITED

Ref : CIL/STEX30/Q2FY22
Date: December 04, 2021

To,

The Secretary, **BSE Limited** **Corporate Relation Dept.** **P.J. Towers,** **Dalal Street, Fort,** **Mumbai-400 001**	**The Secretary,** **National Stock Exchange of India Limited** **Plot No. C/1, G Block,** **Bandra Kurla Complex** **Bandra (East)** **Mumbai-400 051**
Scrip Code – /Scrip Id: 540710/CAPACITE	**Scrip Symbol: CAPACITE**

Dear Sir/ Madam,

Sub: Transcript of the Analyst/ Investor Conference Call held on November 12, 2021

Dear Sir

We refer to our letter dated November 08, 2021 regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company during Q2&H1FY22 which was scheduled on Friday, November 12, 2021 at 12:00 Noon (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

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"Capacit'e Infraprojects Limited Q2 FY2022 Earnings Conference Call"

November 12, 2021

ANALYST: **MR. ANUPAM GUPTA – IIFL SECURITIES LIMITED**

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 FINANCE AND TAXATION – CAPACIT'E INFRAPROJECTS LIMITED

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Moderator: Ladies and gentlemen, good day and welcome to Capacit'e Infraprojects Limited Q2 FY2022 Earnings Conference Call hosted by IIFL Securities Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectation of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anupam Gupta from IIFL Securities. Thank you and over to you Sir!

Anupam Gupta: Thanks Neerav and welcome everyone on the Q2 results Conference Call for Capacit'e Infraprojects Ltd. From the management, we have Mr. Rohit Katyal, Executive Director & Chief Financial Officer and from his team we have Mr. Alok Mehrotra, President (Corporate Finance) and Mr. Nishith Pujary, Head Accounts and Taxation also on the call. I will hand over to Rohit for the initial comments and we shall then take Q&A. Over to you Rohit!

Rohit Katyal: Thank you Anupam. Good afternoon, everyone. We would like to extend a warm welcome to our Q2 FY2022 earnings call. I hope you and your loved ones are doing well and safe. Along with me, I have Alok, Nishith and our Investor Relations Team, SGA.

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

Following Q1 FY2022, the economy is showing signs of improvement and many states have relaxed travel restrictions as vaccination programs have grown. Home registrations surge throughout the festive season without the stamp duty incentive; this means that buyers are rushing to take advantage of current market conditions such as fare prices and ticket low home loan interest rate as well as the urge to take advantage of some seasonal offers.

In Q2 FY2020-2021, the outlook for leasing and rental in the commercial office sector was positive. Due to excessive rains, we lost additional 10 days to 12 days of work which has hurt our revenue for the quarter. After Q1 FY2022, labor availability has increased along the projects to be executed more efficiently at all locations. As a result of the additional labor and travel convenience, our execution on the larger projects is picking up momentum and showing signs of improvement in both public and private sectors.

We are optimistic about H2 FY2022, hoping that there will be no further surprises related to COVID. We derive our strength from our client's balance sheets and our all the sites are fully equipped with all resources. Our focuse for expansion will be accelerating the completion of all our projects, ensuring that our working capital cycle and our cost rationalizing strategies are affectively managed.

Let me also take this opportunity to give you confidence that there is no challenge of debt servicing at Capacit'e. We have enough liquidity to run our projects, repay financial institutions and bid for newer projects. India Ratings today have also published an update on the credit rating, and we are hopeful that the rating exercise will be concluded before the month end.

Further, I am happy to share that we have commenced the BDD Chawl project at Worli with revised plans. We are confident of a significant moment upswing in the BDD Chawl project, work front worth Rs 3800 Crores has opened up for execution. This project is in integrated SPV with Tata and revenue recognition will start from Q3 of the current fiscal.

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

Order book: As of September 30, 2021-2022, the total order book private plus public excluding MHADA was Rs. 8776 Crores. Our order book from the public sector accounts for 60% of the overall order book while the order book from the private sector for the remaining 40%. The company saw cash collections of Rs 587 Crores in H1 of the current fiscal and Rs. 305 Crores in Q2 of the current fiscal, indicating strong collection efficiency. The execution momentum is expected to increase. Our constant focus on client's service and cash flow management has undoubtedly supported our business model.

Our standalone financial performance for Q2 FY2022 is as follows: Total income for Q2 FY2022 is Rs 347.4 Crores as compared to Rs 382.4 Crores in Q1 FY2022 and Rs 187.5 Crores in Q2 FY2021. EBITDA for Q2 FY2022 is Rs 65.2 Crores compared to Rs 41.8 Crores in Q1 FY2022 up by 60% quarter-on-quarter. EBITDA margins in Q2 FY2022 were at 8.8%, margins have improved due to the adoption of cost rationalization measures. PAT for Q2 FY2022 stood at Rs 17.2 Crores. Cash PAT for the period was Rs 42.6 Crores. Debt level stood at comfortable levels of Rs 288 Crores at gross level and excluding promoters loans stood at Rs 235 Crores. Our net debt remains stable at Rs 89.3 Crores compared to Rs 77.9 Crores in Q1 FY2022 while the net debt to equity ratio for September 30, 2021 stood at 0.09x.

With this I now leave the floor open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pritesh Chheda from Lucky Investment managers. Please go ahead.

Pritesh Chheda: Post the half year now versus the Rs 1900 Crores revenue that we were thinking about for FY2022 where are we on the execution side? and this also went a lot of improvement on a CIDCO project execution where are we on that particular part of the execution?

Rohit Katyal: Shorter question first, CIDCO project the labor has been mobilized in last quarter itself and the execution pace has picked up to approximately 20 Crores a month. We expect the pace to go up from December onwards to Rs 235 Crores and about Rs 40 Crores thereon for the last quarter. Now the total work front availability of our CIDCO out of seven locations, all locations have been handed over, work on six locations has already commenced as was the case in the last quarter. We expect the work on the 7th location to start from this quarter. Coming to the overall revenue projections, we are giving an upward revenue of Rs 2000 Crores before the second wave was hit and the revise projections will be communicated very soon by our Investor Relation Team; however, we have to remain confident of crossing Rs 400+ Crores in Q3 and Rs 550+ Crores in Q4 but these figures are still being tabulated given that the entire projects across our totally manned and operational with all resources and therefore the exact number will communicated by our Investors Relations team to you may be by thereafter tomorrow or by Monday latest.

Pritesh Chheda: My second question is on this rating review, so what does this mean, this technically means we go back to where we were, or we go back midway somewhere between A and B?

Rohit Katyal: That is a bit guess. We believe that our balance sheet strength does not change over the last 7 years. It has only improved. Whatever procedure will matters they had to look forward that comes to an end on 21st of this month and we believe in the subsequent committee meeting they will take it up. Once they communicate to us, it will be communicated to you immediately; however, the update I think they have published today, which we have also uploaded and that says that whatever operational issues we were looking at have been resolved in totality.

Pritesh Chheda: On my last question on the internal control system, especially what we have seen in the last 6 months to 8 months, one is the ratings and the second is the exit of certain professional, third is the way balance sheet was structured, and we operated a bit of equity on own equity stock, what are steps that we are taking for a better internal control system which also enhances shareholders value creation some thoughts on that?

Rohit Katyal: First of all, Rahul Katyal was earlier the Managing Director and CEO prior to Mr. Saroj Pati coming in, Saroj has not been keeping well for more than six months now and therefore the company while is thankful for this contribution we have to let go when health issue comes up. Therefore, on the other hand we have valid two Chief Operating Officers. The company is manned with three Chief Operating officers at the moment in time who report to the MD and CEO. So overall strength of the company from operations perspective remains to be one of the best in the industry, we vouching is one thing, clients vouching is more appreciable, and I am sure if you speak to any of our clients that would be the case. Number two, shareholder value comes from revenue and profitability increasing while the debt levels being under control, that is what we have been executing. Yes, we do appreciate that we have not been able to ramp up the operations to our own expectations but that in no way diminishes the company's track record of the last nine years. We believe that we have been more cautious after the hierarchal debacle and then we all industry wide had to face the COVID crisis. The order books remain robust with the MHADA starting. We will be able to include that revenue in our operations hopefully from Q3 onwards gives serious visibility to revenue growth. We are very confident that once the revenue growth happens with the orders which we have with 100% pass through as far as our commodity prices are concerned, it will add surprise on the positive side as per profitability is concerned, surprise on the positive side creates shareholder value because then the market cap of the company also increases. Apart from this, there have been no exits basically and therefore the investor at large should not be disturbed because all the key positions of the company are very, very well manned.

Pritesh Chheda: Just two clarifications, one on the MHADA side, so it is a JV, the revenue booking in the lateral JV or the number will come at the Capacit'e level?

Rohit Katyal: It is a joint operation. There is something known as a joint venture and something known as a joint operation. This model is a joint operation between Tata Projects Limited and Capacit'e Infraprojects Limited, so they will be taking their share of income and expenses and profit and we will recognize our share of income that is revenue expenses and profit. Obviously, the balance sheet at the SPV joint operation, joint venture level will be made, so you cannot have taken the income or the expenses without that balance sheet being prepared, so having said that to clarify balance sheet will be prepared at the LLP level, however, we will be entitled to our share of 35% from operations revenue and expenses both.

Pritesh Chheda: Okay and Sir last question, when you ramp up the business, that is Rs 1900 Crores revenue this year and the higher number next year, how should we see the debt figures moving and net debt figure?

Rohit Katyal: The net debt figure if you study from September 2018 to date, the net debt figures have been between Rs 61 Crores to peaking at Rs 127 Crores during the COVID period. We do believe that net debt figures will for the next two quarters which can be forced at the moment in little debt be at that level between Rs 127 Crores and Rs 50 Crores level.

Pritesh Chheda: For non-fund limit number how do you derive?

Rohit Katyal: This includes a long-term limit number.

Pritesh Chheda: No, non-fund limits?

Rohit Katyal: Non-fund based limits excluding MHADA, excluding CIDCO and MCGM which are projects specific limits, the remainder requirement is totalling about Rs 1000 Crores out of division one base is Rs 190 Crores, so about Rs 810 Crores and those sanctions are already in place.

Pritesh Chheda: So, non-fund limits will rise, or you will be able to manage within the Rs 1000 Crores?

Rohit Katyal: You see that current utilization is Rs 454 Crores therefore, we believe that we should be within that range of Rs 900 Crores.

Pritesh Chheda: Thank you very much Sir and all the best.

Moderator: Thank you. The next question is from the line of Faisal Hawa from H.G and Company. Please go ahead.

Faisal Hawa: You had new orders and I mean residential real estate has picked up well, even the received cost given forecast on their projects, so are developers ready to deal with you at even higher costs so that you know they are both guaranteed towards faster execution and delivery and can you give where are these based on the rating upgrade with the agency, you see that could happen one?

Rohit Katyal: The rating upgrade update has been published by India Rating and I had just answered that we should see the rating upgrades happening in all probability before this month end because the cooling period gets over on 21st of the current month. The second question is on the private sector side we have added about Rs 244 Crores in the quarter which are essentially repeated orders from existing clients and we see this momentum continuing. On the front of new projects obviously, there is good momentum. However, project announcing and awarding of that project to a construction company by the developer could take three months to four months. We see good traction in the public sectors EPC design build projects. Also, the company has bid for a couple of projects and hopefully we should be able to give you good news in the current quarter.

Faisal Hawa: We were also reviving the hospital order. Is that possible that we get some hospital orders in this fiscal itself?

Rohit Katyal: Absolutely, healthcare is an important aspect of the government spend including state and the central government put together that figure is quite large, so it is impossible for any construction company engaged in FMD with the top seven-eight and fortunately we are part of that elite group to ignore the healthcare segment, we already executing two projects, we are qualified in another four of them and those bids will be going in the current quarter, so we as we do expect that you should see some healthcare projects in Q4 of the current fiscal.

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

Dhananjay Mishra: Congrats on the improvement in operating performance. I just wanted to check with these 10 days – 12 days loss, how much revenue we have lost in this quarter and the last three months because of our current status on rating, is it affecting our inventory to participate in the new tender?

Rohit Katyal: Number 1; on the private sector side as, I told you we have already taken Rs 244 Crores of additional orders, so that rating action was taken for which justifications were given and our side of the facts was posted on the stock exchanges. It has not impacted the private sector at all. On the government side I just mentioned we had submitted two bids, so again it has not impacted our ability to bid for any projects. The other part is the 12 days additional loss due to heavy monsoon especially in the September month as it was close to about Rs 38 Crores to Rs 42 Crores of revenue and hopefully you will see that figures are coming back much stronger in the current quarter.

Dhananjay Mishra: Okay, so we have lost Rs 30 Crores to Rs 38 Crores because of this?

Rohit Katyal: Rs 38 Crores to Rs 40 Crores.

Dhananjay Mishra: Okay and earlier we were riding on the CIDCO part like monthly run rate will reach Rs 70 Crores – Rs 80 Crores, now we are saying Rs 30 Crores and Rs 40 Crores monthly run rate in Q4?

Rohit Katyal: Yes, because we were expecting the 7th project 7 NABARD, Sector 43 put together which constitutes 60% of the project to kick start in Q2, Q3 which has not happened as far, we have received the first interim extension of 16.4 months from the clients and therefore, we would not like to add the revenue of the seventh location till the work begins and therefore I mentioned in my answer to an earlier question on this conference call that we are tabulating the project wise revenue figures and that shall be intimated to all the attendees by our Investor Relations team.

Dhananjay Mishra: Okay, so the CIDCO project can include these two Rs 50 Crores – Rs 60 Crores by monthly run rate by next year peak revenue?

Rohit Katyal: Yes, first of all it is an ongoing project, there are several locations, there can be a delay for which the client has given an extension. The second interim extension will also be given to us; however, we would not like to speculate on the date of the handover and I had the revenue at the moment, having said that without even CIDCO will add whether Rs 40 Crores or Rs 70 Crores in Q4 whether it adds Rs 100 Crores per month in next financial year, the company has a total of 26 projects. All 26 projects are running quite well and they should be able to give us the targeted revenue which is our internal target in the next financial year of close to Rs 200 Crores going forward, we have taken into consideration some delays or handover though they are not attributable to us then they affect the revenue, so we would not like to speculate at this moment in time the exact rate of handover of the seventh location of CIDCO. However, having said that we are very happy to see the MHADA project underway and that should have for any loss since the COVID.

Dhananjay Mishra: In the MHADA project, what is the kind of mobilization we have to put from our side and what is the kind of advantage we would have received?

Rohit Katyal: Mobilization advance in MHADA in the project is 2% of the entire contract value of Rs 11,744 Crores, out of that we have availed 1%, the SPV will avail 1% in Q4 or as required, we are eligible to take that. Work front as I mentioned of Rs 3800+ Crores is already available, and we have started work on two towers. In the working capital cycle over there, we do not see any fund base limit requirements. Whatever term requirements will come up in Q4 will be taken by the SPV from NBFCs or banks towards equipment limits. So, since the billing breaks up is already approved, the cash flows had been drawn up, and likewise in CIDCO, we do not see any fund base requirements in this project either.

Dhananjay Mishra: We do not need to put any equities in that SPV, right?

Rohit Katyal: Whatever equity was to be put has been put by both the partners.

Dhananjay Mishra: Lastly on the private real estate side, how we are going in terms of because the market is all agency has giving the very strong outlook for the sector for the next three, four, five years, so what is our policy in terms of bidding for these reputed private developers in upcoming?

Rohit Katyal: You have been following the company for quite some time now. There is no change in strategy, client quality, client balance sheet, and we would not like to bid for projects on the basis of a sanction of NBFC or an institution because we have burnt our fingers in the past and we would not like to repeat that mistake. So, we are Godrej's of the world and Oberoi of the world Brookfields, you know our entire client list and if any new client is added maybe Wadhwa is joining hands with Marubeni. There will be projects coming up from there, we have Raymonds also joining hands with multinational funds, we already have from them, Puravankara has joined hands and we already are working. We will continue to work for them, so that existing list of those 20-25 clients which we have itself gives us very strong visibility as far as to order inflow and also visibility on the revenue happening over the next four years to five years, so that is strategy remain unchanged. Obviously, in the public sector also the strategy would be working with good clients.

Dhananjay Mishra: Sir, what our order inflow guidance for this year or next year and capital expenditure?

Rohit Katyal: For next year we will give you when we meet in Q3 numbers; however, the current year we continue to have the guidance of Rs 2000 Crores out of which Rs 500+ crores or Rs 600 crores has already been received and we expect close to Rs 700 Crores in this quarter and remainder in Q4.

Dhananjay Mishra: Capital expenditure for this year?

Rohit Katyal: Capital expenditure will be Rs 75 Crores to Rs 85 Crores as said earlier, so far the total additions have been Rs 27.23 Crores in the year.

Dhananjay Mishra: That is all from my side. All the best.

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

Deepak Poddar: . You mentioned positive surprise on the profitability side because we have a 100% pass through on the commodity, so can you elaborate more on the margins front now? I think we reported quite a decent margin of about 18% in this quarter, now as the scale pick up in Q3 and Q4, so how do you see the margin traction?

Rohit Katyal: The margins for any construction company are established based on the terms of the contract, price variation, pass through's on the day the order is received until and unless you have unwanted surprises like COVID. So, our cost to complete superimposed for all the projects is the basis of which we give you our projection of the EBITDA, based on that we do believe that the EBITDA level will be maintained at the levels which you have seen over the last two quarters going forward in Q3 and Q4.

Deepak Poddar: Will we maintain what we are seeing in the last because in Q1 margins were quite low, so Q2 you are witnessing is sustainable going forward?

Rohit Katyal: The Q1 margins cannot be compared because we lost previous revenue, we lost Rs 40 Crores of revenue this quarter, now if you are going to lose let us say Rs 100 Crores of revenue in Q1 then the fixed cost which is directly proportional to the revenue will go up whereby hurting your EBITDA and net profit margin. As soon as your margins go up, you have to look at what was for the quarter ended March 31, 2021 where the company did revenue of Rs 382 Crores, the EBITDA margins were close to 20%. Hence, as our revenue picks up, you will see the improvement. Obviously, as a percentage, the depreciation will also fall and give up a fillip to the net profit numbers. The cash profit has been very consistent over the last three years which is available for you to see.

Deepak Poddar: I understood. That is a fair point. Now the revenue side you did mention that you lost about Rs 40 Crores odd of revenue, so even if I adjust, we would have done about rs 380 Crores – Rs 385 Crores kind of an executive level and we are talking about maybe Rs 400 Crores execution in Q3 and Rs 550 crores in Q4, so are we being conservative here because we are already at Rs 380 Crores in lean quarter September which is generally kind of a low quarter?

Rohit Katyal: The Q2 revenue was lower on two accounts, one was the monsoon of course and the second one was that we could not take our share of revenue of MHADA in Q2 because of technical issues. Obviously that revenue numbers will come in Q3. Q4 also will have certain revenue numbers from MHADA. So while I will be conservative because of the 7th location not still being handed over by CIDCO because my earlier two guesses have failed and I would not like to take any further guesses, so yes it is conservative but we are extremely clear that the numbers which we have told you will be netted**.**

Deepak Poddar: Okay.

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

Jiten Rushi: Good afternoon, Sir Thank you for taking my question. One question on the MHADA side, as you said we are expecting to book revenue from Q3 and Q4 and which you some part of our income, so what kind of revenue run rate do you see in terms of our share or going forward and probably in FY2022?

Rohit Katyal: At this moment, the SPV has estimated that they will be booking revenue of close to Rs 200 Crores by March 31, and in the next financial year, we should be close at the SPV level of Rs 700+ Crores, so 35% will be our share.

Jiten Rushi: Okay and the margins run rate what we see in our standalone books we would see the same margins in that SPV?

Rohit Katyal: That is even more detailed engineering and design, the margins are slightly better if not the same.

Jiten Rushi: So, we can expect better blended margin at the standalone level within 18% to 20% going forward?

Rohit Katyal: Whatever margin projections we give as I said I reiterate that it is given on the basis of cost to complete value of all the projects, superimposed. Therefore MHADA is included in that. So our projections which we have given is that we will be at the same EBITDA levels, PAT ratios will improve as revenue improves because the fixed cost as a percentage will fall and therefore the EBITDA level guidance for this project also is no different from other projects.

Jiten Rushi: On the capex, do we need any capex in this project of MHADA?

Rohit Katyal: Yes, we will require capex for aluminium foam board and certain tower crane that is being organized at the SPV level, we have already placed our order on MFE Malaysia for the aluminium foam board for two buildings that should arrive in December and therefore we believe that casting of flats to start in January.

Jiten Rushi: So, crane you are buying from Wabtec?

Rohit Katyal: That is the matter of the purchase committee to decide, I will only authorize once they finalize technically.

Jiten Rushi: Two cranes, right, Sir?

Rohit Katyal: No, I said we would be buying equipment and foam work, order for foam work has already been placed, and whatever equipments are available with partners they will get it for the projects, if something additional you require we will be presenting that.

Jiten Rushi: That number will get consolidated 35% will come on the standalone like capex, invest funding in SKU?

Rohit Katyal: Yes, it will.

Jiten Rushi: Okay and Sir this run rate of Rs 400 Crores – Rs 500 Crores increased to a mark of Rs 550 Crores include MHADA but as I just want to like to understand what would be the revenue from other projects as of MHADA and CIDCO run rate you are expecting in H2 by 2023?

Rohit Katyal: This answer is a very long one. I suggest that you put a mail to Amit or SGA, but Amit would be the right person for this. He will give you the project wise revenue which will give you that why such conservative projections are being given but you will find out how the revenue build up is happening month over month.

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

Mohit Kumar: Good afternoon, Sir and congratulations on a good set of numbers. My first question is while EBITDA margin was pretty strong in this quarter I just want to know what it is fixed priced contract in the order book or is entirely by variation clause in each of our contracts. This is the first question.

Rohit Katyal: There is a price variation clause in all other projects, , steel, cement and fuel is a 100% pass through as far as the CIDCO project is concerned, MHADA project also has a price variation clause, that is on the government side, in private sector side it is 100% pass through for all commodities.

Mohit Kumar: Secondly, how is the bid pipeline looking from the public sector, especially in Mumbai and do we have some number we are targeting in FY2022 and FY2023. Of course, I understand that the order book is very large at this point in time but this the numbers you are targeting and your bid pipeline if you can comment specifically in Mumbai?

Rohit Katyal: Ideally, we would like to maintain this Rs 12,000 Crores order book, so whatever is executed ideally will be added, so private sector I already informed that the bid pipeline is strong, repeat orders continue to flow, in that is what we see in Q1 and Q2. On the public sector front, we see strong traction from all the big corporations in the state and MHADA, so MHADA is coming up with 30-35-storey as potential towers across Mumbai and MMR. As usual we are one of the qualified parties and we are participating and will continue to participate. I had indicated in the last two investor conference calls that we will be a bit conservative for the next four quarters as far as geographies are concerned and therefore we will see that the order inflows which will come in the remaining part of the current fiscal will also come from Maharashtra and we do expect as I told you, the total inflow of about Rs 2000 Crores of which close to Rs 600 Crores has already been received and Rs 650 Crores to Rs 700 Crores is expected in Q3 and remaining in Q4. For FY2023, we will come back to you when we are on the call for Q3.

Mohit Kumar: Thank you Sir, best of luck and I hope to see strong momentum in FY2023. Thank you.

Moderator: Thank you. The next question is from the line of Jainam Shah from Equirus Securities. Please go ahead.

Jainam Shah: Good afternoon. I just wanted clarification about this MHADA project revenue recognition, so you said that it would be part of our consolidated or it will be coming to our standalone numbers, the revenue and the PAT number?

Rohit Katyal: It will be a joint operation, so it will be in our standalone number.

Jainam Shah: It will be under standalone, and the number that you have given is about Rs 400 Crores and Rs 550 Crores. It is inclusive of this MHADA execution?

Rohit Katyal: I told you, as explained earlier we are consolidating our numbers for the next 18 months and that should be ready in a couple of days and our Investor Relation team or if you know Amit in our company, you can mail it to him, and he will give you the details in a way.

Jainam Shah: Okay and Sir one follow up question, as the rating has been moved to D, has there been any impact of the interest rates for the borrowings or as in general the interest rates moves on with the rating up, so can we see some higher interest portion for some six months or so?

Rohit Katyal: No, banks have been supportive and I believe that the rating will be in place before this month end and banks have been supported because we are aware of the facts of the case which we have provided back with documentation, so we only are waiting for some release of additional BG limits which should happen by month end and that is more than sufficient for the next six months or foreseeable future, by that time we will have to go for a reassessment for the next financial year which is normal routine work for any organization.

Jainam Shah: Okay, thank you so much.

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

Parikshit Kandpal: Congratulations on a super performance, Just referring to the letter which the credit which has been uploaded in the exchanges whereas it is about Rs 620 Crores of unbilled revenue still continues despite not a very meaningful pickup in execution, so I just wanted your sense that we owe towards Rs 550 Crores in Q4 and Rs 400 in Q3, so how do you see this run rate moving just wanted thoughts on it?

Rohit Katyal: Very good question, now the uncertified bill is Rs 129.32 Crores, if we take the bifurcation down Rs 129.32 Crores is uncertified bills which will get certified over the next two to three months, so we see this figure coming down in March to about Rs 70 Crores. The cost compensation from the inception of the company billed so far on the clients after the client accepting has been close to Rs 200 Crores, out of which Rs 156 Crores has been realized and recognized. Cost compensation is Rs 44.4 Crores balance receivable. I am giving you a bifurcation of Rs 615 Crores and work in process is Rs 440 Crores of which Rs 103 Crores is for CIDCO and Rs 15 Crores to Rs 17 Crores is for JJ Hospital. We see this figure coming down by Rs 75 Crores by March, so in totality, you will see a figure of Rs 500 Crores to Rs 514 Crores by March 2022. The Rs 620 Crores unbilled revenue they are a thought process I cannot comment on that. We have taken some provisional number or something on that front.

Parikshit Kandpal: Okay, now I was referring to the credit note it is mentioned there?

Rohit Katyal: Yes, that is true, but bifurcation is what is important we have already done the work, bills have been submitted, once certified we will move to get that.

Parikshit Kandpal: So, this more or less for about Rs 550 Crores quarterly run rate should be about the similar member of about Rs 500 crores on a sustainable basis Rs 500 Crores to Rs 550 Crores?

Rohit Katyal: I have already told you Rs 614 Crores you should be looking by March end at Rs 500 Crores to Rs 514 Crores.

Parikshit Kandpal: The second question is then during this period of since the rating downgrade happened and now the 90 days cooling period is getting over, so in the interim did you see any challenge, any challenge on the fund limits increasing on fund and non-fund based because the fund unit and the credit rating at is almost 91% utilized and we will get into more orders now, so just wanted to sense how and what is the pass days towards the increasing limits so that you can cater to a growing issue have come up in the future?

Rohit Katyal: We had repaid RBL bank because of bill discounting requirements in Q1 before the rating issue happened, so I have sanctioned limits of Rs 120 Crores and the assessment limits are Rs 190 Crores, once this rating exercise is completed, we will be having unutilized limits of Rs 70 Crores on the fund base side, number one. Number two, as far as the LC utilization is concerned, we utilize about Rs 110 Crores to Rs 115 Crores at the peak but because of the increase in the commodity prices, this increase may go to Rs 150 Crores by the end of Q3. So expect that we have not faced any challenges and LC limits are sanctioned at the moment is Rs 190 Crores, so what happens is many times the rating agencies do not take into consideration the unutilized LC limits because no one could have to buy steel on cash, you were getting LC discounting between 4.55% and 5.5%, so why would we utilize CC limit of 9% and 9.5% when LC discounting even by HDFC is available at 5.25%, but Kotak was at 4.30%, SBI is 4.5%, so basically LC unutilized limit also should be taken into consideration when we are talking about the limits available to the company for operation.

Parikshit Kandpal: The last question on CIDCO project, earlier you had mentioned that there could be alternate side which could be handed over to us giving some challenges one of the side but on the last sanction was advanced when it is likely to come that Rs 127 odd Crores which was there?

Rohit Katyal: Okay so once the seventh plot work starts we will be claiming the mobilization advance remainder of about Rs 110 Crores – Rs 111 Crores, there was one impediment of the CR head which you must be aware that because you track real estate also that the CR line has been reduced from 100 to 50 meter, so the sector 43 given the buildings which are falling in that zone, that impediment also has been cleared and the letter has been issued to the client requesting for immediate handover. This is the current status of the CIDCO project. Did I miss any part of your question?

Parikshit Kandpal: Yes, just one request if we can arrange some Site visit to the CIDCO as their full charges?

Rohit Katyal: Absolutely, I was very happy you can please touch this with Amit, and he will be very happy to take your round and you will be pleasantly surprised also.

Parikshit Kandpal: Okay, sure. That is all from my side Rohit and best of luck.

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

Barni Vijaykumar: Good afternoon. I just wanted to check the overall opportunity or potential for us to bid over the next one to two quarters I think we used to give it earlier like Rs.20000 Crores kind of an opportunity split across different segments like Health Care, Air force, Hospital, Data synthetically transport. Could you highlight what the status is on this particular thing?

Rohit Katyal: The bidding opportunity is obnoxiously high it is Rs.40000 Crores – Rs.45000 Crores visibility. However, our order book is already very robust, orders which are EBITDA accredited will be added and as I already explained we have already added about Rs.600 Crores majority of that is without the value of steel and concrete in Q1, Q2, and Q3, Q4 we expect to add another Rs.1400 Crores of which I expect to add Rs.650 Crores to Rs.700 Crores in Q3 and remainder in Q4. So, answering your question bid pipeline is very strong all our existing plants are on the verge of announcing new projects, closing the construction contract. But then we also have limitations of how much we can take on our books because till MHADA was not opening up we were okay, but now MHADA has opened up and now we see an order book of Rs.11700 Crores of which our share of is Rs.4300 Crores is equally big as CIDCO. So, over there also we need to put our resources but having said the strategy always has been that whatever we execute we book that many orders which are placed. So, over the next two years, you should be looking that the company will at least maintain the existing profile of about Rs.12000 Crores.

Barni Vijaykumar: Okay and now given we have close to 60% of the order book with public clients and in light of the recent document from Department of Expenditure from Ministry of Finance regarding general instructions on this public procurement, there are lots of positives, there of course, I am sure, you would have gone through it. How do you see this being implemented? Is it just on paper or if it is implemented how is it going to change the landscape? How is it going to be impactful upon us?

Rohit Katyal: **Ministry of finance** prima facie there are two things which are noteworthy number one, they have clarified many things and one of the clarifications is that if a bidder has bid that as the 20% above the departments estimate the executive or the concerned engineer can prepare a proper justification and he need not worry about that. Where which earlier was you have to be very close to the estimated price and that is always difficult proposition to do let us say a tender has been planned one year earlier steel prices were Rs.30 per kg today that is Rs.60 per kg, concrete has gone up by Rs.2000 cubic meter, how can the estimate remain the same. So, that is one relaxation that has happened, and the second very big relaxation is that a single tender can be approved which was not the case earlier. So, apart from all the clarifications which they have given and to tell you that this CDC guideline or the guidelines by the Ministry of Finance are now followed by all agencies across India and these guidelines will therefore make bidding more realistic, especially when in our sector the total competition generally happens between eight and nine players in a bigger ticket size project. So, this is a big positive and I am sure all the agencies because it is a dictate from the Ministry of Finance on behalf of CDC will be followed very positively and diligently by all the agencies, public sector, and autonomous bodies of the public sector both.

Barni Vijaykumar: It is beneficial to us in the future and we hope to talk to you soon. All the best.

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

Parikshit Kandpal: Thanks for the follow-up. Just question on earlier you were planning to be the BDD Chawl towards single line consolidation so why the sudden change in materializing in the separately on the order book and then we can add in the standalone you want to move and bid?

Rohit Katyal: You know that in the joint venture, if you call it a joint venture, we own 35% so the auditors have ruled out consolidation you can only take the profit. However, we are executing this work as a joint operation and the Ind-AS of provides that if the work is being done on joint operations or joint operations like the bank signatories or both our bank signatories, there is representation from both on the board, reserve matters are well in place. That means the true joint operations then we are able to take our share into standalone now that is accounting norms, Parikshit.

Parikshit Kandpal: You have mentioned that about Rs.200 Crores of revenue and Rs.700 Crores in FY2023 that we will be booking and 35% will be our share, right?

Rohit Katyal: That is right.

Parikshit Kandpal: With this project and CIDCO project put together does not require too much of capital employment on those plant requirements here so I think as you have said that for CIDCO we will not take any debt also there will not be any requirement of some?

Rohit Katyal: That is what we have done we have not taken any debt we were planning to take equipment finance which is a part of the overall annual budget but so far, we have not done that.

Parikshit Kandpal: And the same thing will also be in the case of the BDD Chawl project, right is there also ours?

Rohit Katyal: In the BDD Chawl project work as you are aware the height of the buildings have gone up from 22 storeys to 40 storeys in the rehab portion which means the number of buildings has reduced from 87 rehabs to 33 rehabs one SRA of Rs.22 Floors and one school or hospital of seven floors. So, obviously the 33 buildings we will have to fulfil the commitment given to the department and the government of Maharashtra have to deploy at least eight to nine sets of aluminium foam work. So, that capex will definitely happen but that obviously that will be happening over the next twelve months as the building of the project starts. At the moment we have started we anticipate another two buildings to start in the current financial year and a total of ten buildings of rehab i.e., 33% of the rehab portion Rs.1500 Crores is expected to start by May – June of next financial year. So, this is the plan basically, the capex will also move along with this plan. Since they are 33 buildings, I do not see that we will have more than two repetitions of any aluminium foam work because the delivery schedule committed is accordingly.

Parikshit Kandpal: I was coming more from the working capital side put together these two projects?

Rohit Katyal: No, we will not require anything from working capital, the cash flows are positive we anticipate collection as I told you of nearly Rs.150 Crores in the current fiscal and therefore we do not foresee out of which you know that it is a design engineering project, design engineering itself will be close to Rs.80 Crores – Rs.90 Crores. So, we do not see any reason why any requirement of working capital will come up.

Parikshit Kandpal: So, these two projects CIDCO and BDD, will be about Rs.16 Crores of 60%, 62% of the order book and they will not contribute much to the working capital investment. So, actually on a totality, the working capital should see a substantial improvement in the years to come next two three years from the present levels?

Rohit Katyal: 101% we will share with you how we had fared from September 2018 that is the quarter when the IL&FS issue happened and through the COVID and where we are in September and what do we anticipate. So, the point is you will be able to satisfy yourself with those numbers because comparing two quarters, three quarters in a construction company to my mind is not fair.

Parikshit Kandpal: We maintain the net debt zero status in the next two years?

Rohit Katyal: That continues there is no question about it.

Parikshit Kandpal: That is all from my side. Thanks.

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

Anupam Gupta: Just a couple of clarifications that I needed. Firstly, on the CIDCO project, based on the timelines, what is the execution period for the balance order book in CIDCO now?

Rohit Katyal: For CIDCO the first interim extension is 16.4 months. The original completion was 43 months out of which 50% time has already lapsed so you can take another 16.4 months but obviously for the seventh location, they will have to give a suitable extension. So, at the documented it is 2025 will be the end of the CIDCO project as per the first interim extension.

Anupam Gupta: For the six sites which are 50% of work it is in 2025?

Rohit Katyal: For the first six sites which they have handed over they have given a 16.4 month extension with the escalation that is important. Now, when the seventh site give us notice to proceed with the second interim extension or the second extension will come into play that will depend on the execution schedule which we have committed while submitting the bid. So, I cannot comment that it would be premature; however, with the revised completion period first interim extension the completion will be in 2025. However, the peak execution has to happen in the next three financial years that means 2023, 2024, 2025.

Anupam Gupta: Okay, understand and MHADA similarly for the Rs.4500 Crores order book because you said Rs.700 Crores next year, so what is the execution for MHADA right now?

Rohit Katyal: I will tell you MHADA has two components one is the fixed price means square feet lump sum turnkey, design, build component of Rs.10000 Crores and Rs.1800 Crores is the infra work. So, let me give you only the Rs.10000 Crores. In Rs.10000 Crores rehab portion is Rs.5300 Crores, for Rs.4000 Crores is the sale building component construction cost and the commercial building which was originally Rs.800 Crores will go up to Rs.1500 Crores – Rs.1600 Crores. So, basically the contract will be revised upwards from Rs.10000 Crores to Rs.10800 Crores odd of this by March end as on today we have a work front visibility of Rs.3800 Crores and by March we are very confident of having revenue visibility of Rs.4860 Crores. Therefore, in the current year the revised engineering and design bills are being submitted, physical work at site I will be very happy if you can serve next door to you we should visit the site and come out with the report. The filing work is going for the foundations and we should start with the actual building works by January. The aluminium foam work is already ordered and therefore the conservative guidance of approximately Rs.200 Crores for the current fiscal and Rs.700 Crores for the next fiscal.

Anupam Gupta: Okay, understood that and one last question there when you say joint operation so you will take your share in standalone P&L but balance sheet nothing will come in there?

Rohit Katyal: It will be there.

Anupam Gupta: Okay, so 35% of everything will reflect in the P&L balance sheet?

Rohit Katyal: Yes, so what happens in a joint operation only thing is that TATA projects follow the input method that means whatever expenditure into the percentage of revenue while we follow the output method. So, PwC who is the auditor for this MHADA project will have to convert the financial statements on the output method for us, that is all nothing else.

Anupam Gupta: Okay, and you will report consolidated numbers from Q3 onwards and it will still be standalone numbers?

Rohit Katyal: In the consolidated there is hardly any addition to the revenue as we have all the projects in our name except the MHADA project. One project of IGMS is already completed so only the final bills are going on except that we do not have any other joint venture.

Anupam Gupta: Understand. That is all. Thank you.

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

Jiten Rushi: Thank you once again for taking my question. I have two questions about the balance sheet and cash flows. In cash flows we can see the increase in debt by almost Rs.25 Crores but probably in the cash flow from the financial activity we can see the increase in debt over September last year that could be Rs.65 Crores but in the overall our debt has come down. So, what kind of accounting if I can understand and the second question is on the other financial assets which were around Rs.107 Crores as of March has come down from Rs.54 Crores, so what has changed that?

Rohit Katyal: Now, you are talking about the cash flow, first of all the IndusInd bank loans have been repaid, in the first half of the current financial year. Increasing what you see is reflecting the promoter's long-term loan which has been given over Q1 and Q2 I think that is what you are looking at.

Jiten Rushi: Okay, but it is not reflected in the balance sheet it was showing Rs.288 Crores?

Rohit Katyal: Rs.288 Crores includes Rs.53.74 Crores of promoter's loan at SBI MCLR rate plus 1%.

Jiten Rushi: No, my question was it has to be the borrowing should go up because here also see there is an increase in borrowing so that was the question?

Rohit Katyal: I do not see an increase in borrowing. You are talking from last September to this September or you are talking about the June quarter to September quarter?

Jiten Rushi: September to September or June quarter I know but in cash flow September number?

Rohit Katyal: I will give you the number you can please take down. The total debt as of September was Rs.289 Crores, in March 2021 it was Rs.286 Crores and March 2020 was Rs.308 Crores so today gross stands at Rs.288 Crores including Rs.53 Crores of the promoter loan long-term so, where is an increase.

Jiten Rushi: Okay, I will just take it offline in this perspective?

Rohit Katyal: However, you may please send the mail to Amit, and he will clarify immediately.

Jiten Rushi: On the other financial assets we have seen a reduction. So, what is the reason for the reduction in other financial assets?

Rohit Katyal: Please try to understand after the Ind-AS 116 and Ind-AS 115 earlier the bit which was earlier as stock is identified as a contract asset. Contract asset consists of and comprises of three things, bid, cost compensation balance to be billed and received and uncertified bills.

Jiten Rushi: I am looking at the non-current portion of other financial asset which includes bank margin money?

Rohit Katyal: The remainder is the retention which is not due and receivable within one year.

Jiten Rushi: So, this bank margin money is less than three months, so it is now reflected in other financial assets current portion, am I right?

Rohit Katyal: Whichever is below one year will be in the current; beyond one year will be in non-current both fixed deposit and the retention deposit.

Jiten Rushi: Thank you. All the best.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Rohit Katyal: Thank you all for joining the call. We hope that we were able to answer all of your questions, queries. Please contact SGA our Investor Relations Advisors if you require any additional information. Thank you very much and I look forward to meeting you soon. Bye-bye.

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