CAPACIT'E
INFRAPROJECTS LIMITED

Ref : CIL/STEX30/Q1FY23
Date: August 12, 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 August 10, 2022

Dear Sir,

We refer to our letter dated August 08, 2022, regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company during Q1 FY23 scheduled on Wednesday, August 10, 2022 at 02:00 p.m. (IST).

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

This is for your information and records.

Thanking you,

Yours faithfully,
For Capacit'e Infraprojects Limited

Varsha

CAPACIT'E INFRAPROJECTS LIMITED

Varsha Malkani
Company Secretary and Compliance Officer

Encl: a/a

"Capacit'e Infraprojects Limited
Q1 FY2023 Results Conference Call"

August 10, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 10th August 2022 will prevail.

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

Moderator: Ladies and gentlemen, good day and welcome to Capacit'e Infraprojects Limited Q1 FY2023 Results Conference Call. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Katyal, Director and CFO of Capacit'e Infraprojects. Thank you and over to you Sir!

Rohit Katyal: Good afternoon everyone. On behalf of Capacit'e I welcome everyone to the Q1 FY2023 Earnings Conference Call of the company. Joining me on this call is Mr. Alok Mehrotra, Mr. Nishith Pujary and our IR team. I hope everyone has had an opportunity to look at our results. The presentation and press release have been uploaded on the stock exchanges and our company's website. Before I begin the review, a brief disclaimer. The presentation which we have uploaded on the stock exchange and our website including the discussions during this call may contain certain forward-looking statements concerning the company, its prospects and profitability, which are subject to several risks and uncertainties and the actual result could defer from those in such forward looking statements.

We are very excited to start the financial year on a positive note with robust overall performance. Our strong execution capabilities coupled with depositary of asset base enabling efficient execution reflected in healthy revenue growth and profitability. We are witnessing strong execution momentum across our projects and are focused to create value for all our stakeholders. With the healthy order book and sustained order inflow and our expertise in executing and delivering projects on time, we are optimistic that we will witness a healthy and sustainable growth hereon.

Other key updates. The company was awarded a project from MCGN for a multispecialty hospital project in Bhandup, Mumbai valuing Rs.670 Crores in Q1 FY2023. Similarly, a residential project in Navi Mumbai from a prestigious private sector client for Rs.227.45 Crores was awarded. Allotment of 31 lakh fully convertible warrant to promoter and promoter group at a price of Rs.160 per warrant. Promoters have already brought in 25% of the upfront amount in the company.

Let me now turn to the performance highlights of Q1 FY2023. Revenue from operations for the period grew by 70% to Rs.477 Crores as compared to Rs.280 Crores in Q1 FY2022. EBITDA for Q1 FY2023 stood at Rs.101 Crores as compared to Rs.42 Crores for corresponding period last year. EBITDA margin for Q1 FY2023 stood at 21% as compared to 14.9% in Q1 FY2022. PBT for Q1 FY2023 grew to Rs.38 Crores as compared to Rs.6 Crores in corresponding previous year. PBT margin for Q1 FY2023 stood at 8% as compared to 2.1% in Q1 FY2022. PAT for Q1 FY2023 grew by 538% to Rs.29 Crores as against Rs.4 Crores in Q1 FY2022. PAT margin for Q1 FY2023 stood at 6% as compared to 1.6% in Q1 FY2022. Cash PAT for Q1 FY2023 grew by 197% to Rs.76 Crores as compared to Rs.26 Crores in Q1 FY2022. Cash margin for Q1 FY2023 stood at 15.9% as compared to 9.1% in Q1 FY2022. The company continues to focus on working capital management and quality of order book. The working capital cycle excluding retention has improved marginally from 91 days to March 2022 to 89 days in June 2022. Order book on standalone basis stood at Rs.8229 Crores as of June 30, 2022. Public sector accounts were 68% while the balance comes from private sector. Residential accounts for 28% of the order book followed by commercial and institutional at 21% and mix use construction at 52%. We remain optimistic on India's recovery amidst the continuing global geopolitical uncertainty. Before taking the question and answer session, I would like to reiterate the vision of the company.

The company stands committed to improving the net working capital cycle and bring it down to 60 days excluding retention by Q1 FY2024. The company endeavors to reduce leverage levels in medium term by release of retention money. The objective is to continue to improve shareholders value by investing in people, technology and processes. I now leave this floor open for questions please.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Mohit Kumar of DAM Capital. Please go ahead.

Mohit Kumar: Good afternoon Sir and congratulations on a very, very good set of numbers. Sir my first question is on the margin? Margin seems to be pretty high? Is there any one off in this margin? Is there something which got booked in this quarter related to some project which got completed in this particular quarter that is why the margin is higher? Is that a fair understanding?

Rohit Katyal: Yes that is a fair understanding. There is an impact positively of Rs.8 Crores on certain accounting changes which therefore has resulted in a one time benefit of Rs.8 Crores. Our guidance for the whole year continues to be 18% to 18.5% as was guided earlier during the last conference call.

Mohit Kumar: Is there nothing else right apart from accounting change?

Rohit Katyal: Nothing. There is no change so that has been corrected and that positive impact on the sales has been Rs.8 point odd Crores net of tax that is about Rs.6.5 Crores.

Mohit Kumar: Secondly on the MHADA project I think we are expecting to book 5 billion if I am not wrong in this particular fiscal year of course that will get consolidated in the JV accounting but I think the order book is almost like Q4? When to expect the booking to happen in this fiscal?

Rohit Katyal: The overall revenue will be booked at the LLP level and being 35% shareholders and as per accounting standard 116 AS we will not be in a position to book revenue on that however the LLP has subcontracted the portion of Capacit'e work to the company and it shall be booking the propositional revenue executed through such sub contract for the LLP in its books of accounts so it will be booking it share of 35% in its books, which could be close to Rs.135 Crores odd in the current financial year.

Mohit Kumar: Rs.135 Crores?

Rohit Katyal: Yes that is right.

Mohit Kumar: Our share understood Sir. Lastly on this order opportunity of course we are getting more private orders now how do you see this evolving over the next two to three quarters? Are we expecting more residential orders this fiscal and the balance between public and private will change materially over the next few years?

Rohit Katyal: I believe that the order mix at the moment is approximately 70% in favor of public sector and 30% in private sector. That primarily should continue over the next two years however order booking is dynamic, a bigger inflow of order from a private sector could change that by 5% here and there, but on sustainable and more logical basis I believe that 70% towards public sector and 30% towards our reputed clientele in private sector is a good assessment to make.

Mohit Kumar: Sir I think a large ordering of which were from the government side Mumbai especially?

Rohit Katyal: That continues in all the geographies where we have operated earlier however we have in the current last quarter just concluded booked a substantially sizeable order from MCGM in the healthcare segment and such opportunities to be present more elaborate details were provided in the last conference call so the company is very optimistic of booking the orders and it has been reflected over the last six to seven years of operations of the company so yes we are very confident of booking and surpassing the current years targets of order book as well.

Mohit Kumar: Understood Sir. Thank you and all the best Sir.

Moderator: Thank you very much. Our next question is from Rishikesh Oja from RoboCapital. Please go ahead.

Rishikesh Oja: Sir good afternoon. Sir my first question is that quarter-on-quarter our deprecation has gone up from Rs.20 Crores to Rs.42 Crores so can you please provide some reason on that and will it remain on this similar level?

Rohit Katyal: You have rightly pointed out however the reason for that increase is that as informed in the last quarter that Oberoi projects were changed from with material to without material so when the value of the raw material that is steel and concrete was removed that resulted in accelerated provisioning of site establishment which comes under the depreciation head. This is a onetime exercise and therefore from next quarter it will be the normal Rs.18 Crores to Rs.20 Crores what you see towards the site establishment and Rs.30 Crores on an overall basis so the excess deprecation which has been booked this year is because of the change in the order from with material to without material in case of one big client.

Rishikesh Oja: Okay Sir my second question is if you could provide revenue guidance for FY2023?

Rohit Katyal: That is too early to say. Let us complete Q2 and in the next conference call I will definitely give you a guidance.

Rishikesh Oja: Okay Sir and Sir also if you could elaborate on the accounting change?

Rohit Katyal: As I told you the accounting change is in line with the industry standards Ind-AS 115 on input method. There is hardly any difference in that because with now in both the cases it is taken at cost plus profit so the impact of that as I have just answered was in totality Rs.8 Crores which has been recognized and has been taken into the limited review accounts.

Rishikesh Oja: Okay Sir and my last question is if you could provide an order inflow guidance for this year Sir?

Rohit Katyal: I have always maintained that the company shall book minimum order of what it executes which means we should be upward of Rs.2000 Crores in fresh order inflow of which nearly Rs.800 Crores has been achieved so in nine months we have to go towards Rs.14,100 Crores or thereabouts, which is a very doable task given the track record of the company.

Rishikesh Oja: Okay Sir thank you very much.

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

Deepak Poddar: Thank you very much for the opportunity. Sir first I wanted to understand on the retention money by when are we expected to get that and what is the quantum?

Rohit Katyal: The retention money closing balance stands at Rs.175 Crores out of which we have realized about Rs.10 Crores in the current quarter. We expect to issue bank guarantees in view of cash retention to our clients starting September end and in October so our target is to collect close to Rs.120 Crores of retention money in the Q3 and Q4 of the current fiscal. This obviously will come into the cash flows of the company other than the normal debtor's recovery which happen.

Deepak Poddar: And what about this quarter Q2 some amount was expected to collect?

Rohit Katyal: We are expected to collect Rs.20 Crores of which Rs.10 Crores has already been collected.

Deepak Poddar: So I believe by Q4 you do expect some deleveraging to happen right as you mentioned?

Rohit Katyal: I just told you that this is a temporary blip in the gross and the net debt of the company. It is directly related to the accumulation of retention money which is now due and payable against bank guarantee and on submission of bank guarantee this money will get released.

Deepak Poddar: Understood and what is the status on the rating upgrade that we were looking for?

Rohit Katyal: The rating exercise has already started. I am hopeful that before the next time we meet for our conference quarterly call we should have some good news for you.

Deepak Poddar: That is great and lastly on the margin front if you adjust this Rs.8 Crores I think our adjusted margin stands at about 19% excluding other income?

Rohit Katyal: Yes.

Deepak Poddar: Now this is the minimum margin level at least we can expect going forward?

Rohit Katyal: It would be too optimistic that we do not expect or factor in any unforeseen so the margin guidance continues at 17.5% to 18%. Anything more should be taken as a bonus.

Deepak Poddar: The reason I asked is because I assume the commodity prices is also going down?

Rohit Katyal: Our order book is non speculated when it went up we did not make loss so when it comes down we do not make any profit. It is a pass through mechanism which means that if the price is Rs.100 the client has to pay the difference and if it goes to Rs.20 the client takes up the money so except for increase in percentage of PAT margin due to such price increase or reduction nothing else is an absolute loss for the company or profit.

Deepak Poddar: Fair enough. I got it. That is my from my side. All the very best. Thank you.

Moderator: Thank you. The next question is from Mukul Verma who is an individual. Please go ahead.

Mukul Verma: Congratulations on a very good set of numbers. My question is the provision what we have made of Rs.84 Crores as you mentioned in the last quarter will there be any realization on that account?

Rohit Katyal: Yes we are in discussion. One settlement agreement with the Nilkamal Realtors which was earlier a part of Radius Group but now we believe Godrej is coming in is finalized. We expect the documents to be signed over the remainder of the current month and money is to be realized in Q3. This amount is close to Rs.15 Crores. Similarly we are expecting resolution to another project where the bankers as per the latest guidelines and GR of SRA, Slum Rehabilitation Authority have taken up a project which was earlier belonging to Radius Realtors in Chembur and the new promoter and the bank supporting them are coming in so we expect that resolution to happen also in Q3 and some payment towards that being realized in Q4 so these are the two big resolutions which we expect and therefore you should expect some write back on the provisions which are being made, but all other projections are given without considering any write back.

Mukul Verma: So this Rs.15 Crores as you mentioned about Nilkamal Realtors and what would be the quantum for this SRA project Chembur?

Rohit Katyal: Rs.24 Crores.

Mukul Verma: Okay great. Alright thank you so much. All the very best.

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

Dhananjay Mishra: Good afternoon Sir. Sir could you provide the breakup in terms of which all projects contributed majorly in this quarter?

Rohit Katyal: That I do not have project wise details in front of me however we shall advise our IR team to mail it to you very promptly.

Dhananjay Mishra: Do not want a specific number so just majorly which all projects would have contributed?

Rohit Katyal: So this 95% of this revenues have come from the 21 operational projects of the company. It remains with Raymond's, Oberoi, SIDCO and Piramal leading the pack second lead by BSNL Data Centres and obviously the other projects like JJ and BMC. As I told you that I do not have the exact figures project wise however that can be provided to you by our IR team very promptly.

Dhananjay Mishra: And looking at current phase of execution I assume that the coming quarter will not have much deficit in terms of revenue like Rs.470 Crores? These numbers here and there we can have?

Rohit Katyal: We have to remember that Q2 these days June is not a very powerful season for monsoons. Monsoon is more so from July to September. September last year and October also was impacted however considering that and the average loss over the last five years being close to 21 days. We do believe that we will be closer to your target what you have mentioned however our overall years target of Rs.1800 Crores is given.

Dhananjay Mishra: Okay and lastly what is our non fund based limit and utilization limit?

Rohit Katyal: The non fund based limit is at Rs.940 Crores out of which further allocation is Rs.190 Crores for LC and the balance for bank guarantee. The bank guarantee outstanding is currently at Rs.400 Crores and the SD outstanding is currently at Rs.175 Crores.

Dhananjay Mishra: Okay thank you and all the best for upcoming quarters.

Moderator: Thank you very much. The next question is from the line of Ron of Mad About Stocks. Please go ahead.

Ron: Thank you for the opportunity. Sir my question is in the long term what are the emerging trends that you see will drive the growth for Capacit'e and some possible focus from Government of India plus COVID giving a host to co working has been driving Capacit'e order book? Any other trends that you foresee that will drive Capacit'e order book in the future?

Rohit Katyal: Good question. There is an overall optimism around real estate industry starting Q3 of 2021 that continues. That is relevant from the financials of our clients so that announcement of new projects and award of construction contracts will continue. We have a new player in the form of Adani taking over many projects. That too has been added to our clientele so I believe that we are quite optimistic on the opportunities which the private sector will present whether it is residentials in super high rise, high rise, commercial, and retail on these aspects. Secondly from the public sector side it is not only hospitals. The growth plans as far as housing for all continues to be in focus and all our existing clients are planning for projects in current year leading into next financial year and Capacit'e with the qualification if possess it presents a good opportunity across all segments. Thirdly the Railway Land Development Authority is coming up with major renovations of its existing railway stations to modernize them. There are total 172 stations. The tenders have already gone live and we believe that Capacit'e will have a good opportunity in that as well so apart from hospitals we call that healthcare, institutional, hospitality, retail, commercial and residential, railway station redevelopment, airport modernization or modular expansion will present an opportunity to Capacit'e in the years to come so since Capacit'e is present across all the sub segments of building construction and has the specialization and the equipment base we are optimistic of capitalizing on this opportunity.

Ron: Awesome very nice to hear that. My second question Sir given Mumbai has a huge redevelopment opportunity will Capacit'e looking at this opportunity to grow future?

Rohit Katyal: As a construction company yes. As a developer no. MHADA is the largest redevelopment project on cash contract basis in Asia. However you know very well that redevelopment projects take some time to kick off so while we will be present for some decent size projects we may not look at every and all the opportunities that may arise out of this. Secondly we will be skeptical of doing private sector projects as far as redevelopment is concerned because of the size and obviously the risks attached post the IL&FL debacle which we have faced and all of you are aware. On the government side as I just mentioned some opportunity will come up in MHADA. It will come up in Mumbai Municipal Cooperation, Thane Municipal Cooperation and so on and we shall look at them on case to case basis.

Ron: Thank you so much Sir. Wish you all the best for the next coming quarters.

Moderator: Thank you very much. The next question is from Jatin Rishi. Please go ahead.

Jatin Rishi: Good afternoon Sir. Thank you for taking my question and congratulations for a good set of numbers. Sir my first question was on the updates on state projects so just one thing what revenue we have booked in Q1 and what is the run rate that we are expecting from the SIDCO and have we received the land parcel?

Rohit Katyal: So the Q1 revenue book in SIDCO is Rs.75 Crores on certified building mechanism alright and we believe that we shall book close to Rs.100 Crores in the monsoon season. Thereafter we shall be booking Rs.50 Crores in Q3 of the current fiscal that means Rs.50 Crores per month so Rs.150 Crores in Q3 and close to Rs.180 Crores in Q4 so you can add up the total and that shall be giving you the revenue for SIDCO for the current fiscal.

Jatin Rishi: On the land parcel when can you expect more land parcel?

Rohit Katyal: The land parcel in writing has been received however being monsoons the excavation activity cannot start at the moment so we shall be only taking possession once the monsoons are over.

Jatin Rishi: So basically that we will have full executive order backlog from SIDCO?

Rohit Katyal: Absolutely but the current order backlog from SIDCO continues at Rs.2380 Crores with the extension in place and second extension going on by the client we already have our hands full for the next three years even if we consider Rs.600 Crores per year.

Jatin Rishi: So then next year what kind of execution we can see from SIDCO probably once you have the…

Rohit Katyal: On conservative basis Rs.600 Crores to Rs.700 Crores minimum.

Jatin Rishi: That is yearly run rate you are talking about right Sir?

Rohit Katyal: As of now yearly run rate Sir. You can see a better figure but since you are asking for a project wise specific number I am giving you an approximate number.

Jatin Rishi: In SIDCO project we are using mould for foam work during the construction? Is the capex still pending for this foam work because we have still to receive land parcel so obviously the building will start which is the larger land order back log of the SIDCO project so what kind of capex we can see?

Rohit Katyal: So as explained last time we already have purchased total 18 sets which are project site 18 sets translates includes 54 slabs or 54 floors per month which therefore translates into Rs.50 Crores of billing alright. Of course in monsoons you will have obstruction. This is apart from the six sets are under manufacturing. We had given a projection of Rs.42 Crores for the current year as far as balance SIDCO procurement is concerned and it will remain at that level give or take Rs.2 Crores here and there.

Jatin Rishi: So for this six foam working opportunity the cost is Rs.42 Crores of capex right?

Rohit Katyal: No including what has been received this year plus whatever has to be received the cost is Rs.42 Crores. This cost is subject to the aluminum price which was at its peak. Fortunately it has come down but the budget approved at the moment for aluminum foam work in the current financial year for the remainder is Rs.42 Crores in totality.

Jatin Rishi: So we have received how many this year so far?

Rohit Katyal: I am saying out of 24 sets 18 sets are at site. Six sets are balance to be received.

Jatin Rishi: So just you said at Rs.42 Crores including what you have received this year so all 18 you have received this year okay got it and Sir on the MHADA project what is the status like? We were supposed to book some revenue from the MHADA project?

Rohit Katyal: Rs.10.77 Crores of revenue has been booked. The project is in piling and we have come out of the basement which is now not as RCC structure but on pilling the superstructure will be constructed. Two sets of aluminum foam work are at site and given the intensity of the monsoon we should be starting the superstructure construction by this month end early next month so as I told that our share of close to Rs.135 Crores is what we are looking in the remainder of the year to book.

Jatin Rishi: Sir what is the executable portion of our share in the MHADA order backlog right now which we are considering for executing?

Rohit Katyal: The LLP has given an order of Rs.1400 Crores to Capacit'e Infra for the rehab portion which is 35% of the Rs.5000 Crores of rehab portion.

Jatin Rishi: This will be done next two to three years right?

Rohit Katyal: The completion period is 27 months from handover of individual building so this includes design charges all put together 11 to 12 towers. At the moment work on two towers Capacit'e has started. We expect to start another six towers in the current year so you can safely presume Rs.1400 Crores divided by 11 towers what is the value per tower so if we have started two towers we have started work on Rs.280 Crores. As soon as we start the tower on the next two towers the value will go to Rs.480 Crores. Since it is more or less a casting we do believe that the construction speed will be quite good and therefore we are anticipating a revenue of Rs.135 Crores in the current financial year.

Jatin Rishi: So we can see good run rate next year onwards?

Rohit Katyal: Absolutely.

Jatin Rishi: Sorry I am asking on the deprecation part so probably from coming quarters we will not see high deprecation? This is just a one off?

Rohit Katyal: As explained you have to take deprecation of Rs.30 Crores as the revenue increases your write off of temporary structures and price establishment will also increase and therefore it will be close to Rs.30 Crores in absolute terms, but if the revenue goes beyond Rs.500 Crores it would increase also.

Jatin Rishi: Sir any capex other than the SIDCO capex which we are planning for this year of Rs.40 Crores to Rs.42 Crores any other capex we are looking on?

Rohit Katyal: At the moment no. At the moment no order has been taken which will require additional capex however it is directly proportional to inflow of orders. The company is looking to book orders which do not involve further capex because we would like to increase our asset turn however if there is any such order it will be promptly intimated to you during the next conference call.

Jatin Rishi: Sir one last question in terms of bidding strategy so are we looking to bid for what we have seen in Oberoi recently that materials are supplied and we do construction are you looking for such type of bids or we are looking for…

Rohit Katyal: We are not ever into such type of bids because we have our margins covered and we are not investing from working capital as far as steel and concrete is concerned so there is no harm so you are definitely sacrificing so let us say if you are doing revenue of Rs.250 Crores for Oberoi in a year so obviously you are sacrificing 40% of that because of having free material but similarly the returns on revenue go up so the PAT margins will be higher so if you see our revenue for the current year in spite of having two major orders one from Oberoi and second from Asset Creators which involves steel and concrete as free issue there has been substantial increase in the revenue so that will continue for the reminder of the current financial year and yes we are not ever to the client given steel and concrete on free issue or issue basis. Whatever reduces our working capital cycle we will definitely look into that.

Jatin Rishi: Okay Sir thank you and all the best. That is it from my end.

Moderator: Thank you very much. The next question is from Parvez Qazi from Edelweiss Securities. Please go ahead.

Parvez Qazi: Good afternoon Sir and thanks for taking my question. Sir couple of questions on my side. First sorry I missed the revenue contribution from the MADHA project this quarter?

Rohit Katyal: Rs.10.77 Crores.

Parvez Qazi: Second is what would be our bid pipeline currently and what is the competitive intensity that we are facing nowadays?

Rohit Katyal: The company is well poised and placed to pick and choose at this moment in time and therefore we are not bidding for government projects which are below Rs.350 Crores or so simply because the competitive intensity increase and lower value project as far as public sector is concerned and when the projects are above Rs.400 Crores to Rs.500 Crores the competitive intensity is lesser and you have more mature players competing with each other for the pricing comes at fair that is number one. Number two in private sector it was never a competitive intensity. It is more of you will be chosen on your technical competency and capability by the client and subsequently it is an open book policy so we continue to work accordingly. As far as the bid pipeline is concerned if you take in general all India basis is very, very strong but if you talk from Capacit'e perspective we are looking at geographies where we have already worked and we do believe that there will be an opportunity of more than Rs.45,000 Crores in the remainder of the year to bid for of which we will chose the projects to our liking which can be EBITDA accretive or PAT accretive, so that is the philosophy which we are following. As far as the total order book is concerned we are looking at upward of Rs.2000 Crores to be added of which Rs.800 Crores has already been added.

Parvez Qazi: Sure and you did mention that we are witnessing an improvement in working capital this trend will continue going right so where we do see our debt levels by let us say this fiscal?

Rohit Katyal: You will have a more clearer picture by the end of Q2 but I do believe that release of retention on gross basis should lead to a reduction of Rs.60 Crores to Rs.70 Crores in the debt level.

Parvez Qazi: Sure. Thanks. That is it from my side and all the best.

Moderator: Thank you Sir. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Good afternoon Sir. My question was again on the debt part which you just answered like so what was the gross debt at the end of Q1?

Rohit Katyal: Rs.356 Crores that is including the promoter’s debt. Excluding the promoter it continues at Rs.314 Crores.

Ankit Babel: Rs.314 Crores and assuming that promoter debt will be converted into equity so now this Rs.314 Crores debt you expect Rs.50 Crores to Rs.60 Crores of reduction by the end of this year right?

Rohit Katyal: Absolutely that is directly proportional to release of retention and explained in my earlier answers.

Ankit Babel: Okay and this takes care of the fact that your working capital will also reduce from current 90 days to around 70 days by the end of this year?

Rohit Katyal: Net of retention yes and that is the reason for guiding for reduction in the capital that is reduction in debt. If your working capital price sell increases the debt cannot reduce.

Ankit Babel: Sir lastly what will lead to this reduction in working capital from 90 to 70 days?

Rohit Katyal: The collection efficiencies. We are talking about retention that is long term receivable coming into the system and as I have explained that Rs.120 Crores are already due and receivable are awaiting submission of bank guarantees expected to be realized as Rs.20 Crores in the current quarter and the balance in Q3 and Q4 of current fiscal. When such once the money comes into the system it acts in two manners A, it reduce your overall debt position. B, it will reduce your total creditor level that is utilization, but most importantly it reduces your debtor level on a consolidated basis. Therefore the net working capital will reduce on account of two things. Number one release of retention and the money coming into the system for utilization by the company or reduction of debt and number two and more importantly the clients now paying on time that will be the second big positive. If you see over the last five quarters it has come down from 117 days to 89 days now.

Ankit Babel: So if these receivables comes down can there be any benefit in your ECS provisioning any write backs or future ECS provisions would be lower as compared to the previous one? Any benefit from that angle?

Rohit Katyal: You see that ECL provisioning is a policy which is separate from debtor collection alright. Yes the reversals will happen as and when the collections happens and I have explained that we are expecting collections against the provisions which we have made. We have received all our money from Kalpataru in Q1 and some part in Q2 of the current fiscal so whatever provisioning was made obviously has been reversed against that. We are quite optimistic of two major collections in the current financial year and if that happens that will positively add to your profitability and the cash flow.

Ankit Babel: Okay Sir and lastly a lot of your retention money requirement and receivables you are planning to replace it with bank guarantee so there could be a huge jump in your bank guarantee charges which would be forming part of your interest cost so just for our understanding so this quarter your interest cost was Rs.20 Crores? Now considering the fact that going forward your gross debt will reduce and at the same time your bank guarantee commissions will increase so net to net I mean this Rs.20 Crores is the peak number on a quarterly basis and we will expect a reduction in this number or you believe that this number will go up in the near term and going forward also?

Rohit Katyal: So firstly the bank guarantee commissions are at between 1.6% to 1.7% per year while the interest cost are on an upward trend and assuming 9% per year so there will be a differential. There is a major differential of nearly 7% which will have a positive impact on the finance charges which are levied alright so this is on point we have to remember that bank guarantee is not absolute debt. It is a non fund base limit where the bank charges commission and not interest okay. Number two let us say total further utilization of Rs.250 Crores in the current fiscal your bank guarantee charges for the remaining period that is on annualized basis it may be close to Rs.4.5 Crores and for six month it may be Rs.2.25 Crores but if the money which is coming in Q3 and Q4 will nullify this increase and more or less your assessment that the finance charges will be between Rs.21 Crores to Rs.22 Crores is fair enough.

Ankit Babel: So overall interest cost what you are expecting this year I understand that it will take time for it to come down but the money would be realized in the second half but next year considering the growth also in your revenue and everything so what kind of interest cost we should build in our model?

Rohit Katyal: As a percentage it has already come down on absolute basis is Rs.21 Crores so we are expecting finance charges of Rs.83 Crores to Rs.84 Crores in the current financial year. In the next financial year with the reduction of debt it obviously will come down.

Ankit Babel: So you will peak this year at around Rs.80 to Rs.80 Crores?

Rohit Katyal: Absolutely.

Ankit Babel: Okay Sir that is it from my side. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, as there are no further questions I would now like to hand the conference over to Mr. Rohit Katyal for closing comments.

Rohit Katyal: I would like to thank once again all of you for joining us on this call. We hope we have been able to answer your queries. Please feel free to reach out to our IR team for any clarification or feedback. Thank you and see you next time.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of Capacit'e Infraprojects Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.