



Ref : CIL/STEX 30/Q3FY18

Date : February 16, 2018

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

Dear Sir

We refer to our letter dated February 06, 2018 regarding the intimation of Analyst / Investor Conference Call on the Un-audited financial results of the Company for the quarter and Nine months ended December 31, 2017, which was scheduled on Monday, February 12, 2018 at 11.00 A.M. (IST).

In this regard we herewith attached 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.

Yours Truly,

For CAPACIT'E INFRAPROJECTS LIMITED

Rohit Katyal
(Executive Director & CEO)





“Capacite Infraprojects Q3 FY18 Earnings Conference Call”

February 12, 2018



MANAGEMENT: **MR. ROHIT KATYAL – EXECUTIVE DIRECTOR AND
CHIEF FINANCIAL OFFICER, CAPACITE
INFRAPROJECTS LIMITED**
**MR. DAMODAR AASH – CAPACITE INFRAPROJECTS
LIMITED**
**MR. ALOK MEHROTRA – CAPACITE INFRAPROJECTS
LIMITED**
**MR. AMIT PORWAL CAPACITE INFRAPROJECTS
LIMITED**

MODERATOR: **MR. PUNEET GARG – AXIS CAPITAL**



Moderator: Ladies and gentlemen, good day and welcome to the Capacite Infraprojects Q3 FY18 Earnings Conference Call hosted by Axis Capital Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the future guarantees or 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. Puneet Garg from Axis Capital. Thank you and over to you, sir.

Puneet Garg: Thank you Reyo. Good morning, everyone. On behalf of Axis Capital, I would like to invite you for the conference call of Capacite Infraprojects. Today we have with us the senior management of Capacite Infraprojects represented by Mr. Rohit Katyal – Executive Director and Chief Financial Officer. Without much ado I would like to hand over the call to Mr. Rohit for his opening remarks, post which we will open the floor for Q&A. Over to you, Rohit.

Rohit Katyal: Good morning and thank you Puneet. Warm welcome to everyone for our quarter ended December 2017 Earnings Conference Call. Along with me I have Mr. Damodar Aash, Mr. Alok Mehrotra, Mr. Amit Porwal and SGA, our Investor Relations Advisors.

I hope everyone has had an opportunity to look at our results. The presentation and press release has been uploaded on the stock exchange and our company's website. With the governments focus on providing housing for all and enacting various schemes for promoting affordable housing in the country. The real estate sector is witnessing seriously huge opportunities. In the recent budget the government announced that it would establish a dedicated affordable housing fund out of fully serviced government bonds. This will help in bridging the funding gap. This will further boost the construction activities in the affordable housing segment and resultantly demand for construction companies like Capacite.

Demand for residential properties has surged due to increased urbanization and rising house hold income. India is among the top 10 price appreciating housing markets internationally. Similarly, growth in Indian economy is driving demand for commercial and retail space. Mumbai and Bengaluru have been rated as a top real estate investment destinations in Asia. Capacite is present in both these geographies and thus in a position to capitalize on this opportunity. Most importantly RERA implementations has led to a consolidation in the sector which will enable only the organized the players to survive, thrive and ultimately benefit companies like us who has such organized and marquee cliental.

As far as Capacite is concerned Q3 was a good quarter for us and we are happy to give the performance and deliver on what we said. The recent order wins from our clients show the trust they place in our brand. Our technology-based methods enable us to execute our projects in a timely manner and also maintain highest quality standards thereby resulting in an increase in the client trust in Capacite.

I shall now share with you the financial highlights during the quarter. The total income for 9 months ending 31st December, 2017 grew by 16.4% to 970 crores as compared to 833 crores in 9 months FY17. All our contracts have been renegotiated pursuant in to the implementation of GST. The same has resulted in reduction of revenues to the extent of 18 crores post implementation of GST.

EBITDA for 9 months FY18 grew by 12.2% to 156 crores as compared to 139 crores in 9 months FY17. EBITDA margins stood as 16.4% for 9 months FY18.

PAT for 9 months FY18 grew by 33% to 56 crores as compared to 42 crores for corresponding 9 months of FY17. The margin improvement was 73 bps. Diluted EPS for 9 months FY18 stood at 10.43 per equity share. Cash PAT for 9 months FY18 grew by 12.1% to 99 crores as compared to 88 crores in 9 months of FY17.



For 9 months FY18 we have procured 72 crores of core assets.

Our gross debt to equity ratio at the end of the 9 months FY18 stood at 0.23X. Gross debt including bill discounting of 39 crores stood at 170 crores while the cash and bank balance stood at 383 crores at the end of 31st December 2017. The net working capital days stood at 81 days compared to 79 days for FY17. The net working capital days has increased marginally on account of temporary increase in debtors primarily on account of delay in realization of debtors on account of renegotiation of contracts pursuant to GST implementation.

Order book, our order book as on 31st December 2017 stood at 5,240 crores as back log. The order book has the potential to add 1,500 to 2,000 crores of incremental orders arising out of new phases of work orders that our existing clients will release for projects where we are already executing, they are phase 1 of the project. These bodes well from operational efficiency point of view as well as EBITDA margin perspective.

Currently we have 55 ongoing sites with Western India contributing to 79% of our order book. Large part of our order book is contributed by gated community which has a share of 54% followed by high-rise and super high-rise the share of which in the order back log is 45%.

During the quarter, we received order worth 825 crores for construction work for the project Arihant Aspire. In addition, we have also won the following 2 orders during the early part of quarter 4. Kalpataru Magnus, the order is worth 91 crores. This is a repeat order received from Kalpataru Group. Tower-2 of the project at Hindustan Mills at Prabhadevi from our client Twenty Five South Realty Private Limited, Wadhwa Group, the order is worth 156.46 crores. Thus as on date the total order back log stands at 5,487 crores.

In January 2018 our credit rating was upgraded. Our long-term rating improved from IND A minus to IND A with a stable outlook. We expect the positive benefits of this upgrade to flow in the coming quarters. Capacit'e Infraprojects is a technology led construction company. We will continue to bid for projects in the F&B segment with private players and are also opening ourselves to bid for certain specific government projects given the huge opportunity in the institutional and housing segment over there. We have multiple levers for growth and are fairly confident of our continued sustain growth on back of our philosophy of maintaining this balance sheets strength. Thus, the following are the levers, a stable real estate market backed by friendly RERA regulations, bidding of orders with agencies like MCGM, CPWD and other such reputed government, quasi government bodies which will carry forward the governments vision on housing creation increasing acceptability of real estate builders to move to EPC contractors with a proven track record and high quality execution.

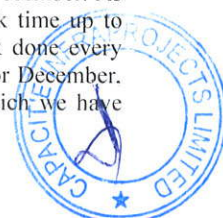
Improving efficiency by bidding for orders within the same project or premises which are mentioned as a potential to add 1,500 crores to 2,000 crores to our order book and our working capital efficiency which will improve as we release our retention money's with clients to replace it with bank guarantees on a credit rating front we expect our interest cost to further come down. All in all the growth momentum is strong and we are taking cautious steps to grow Capacit'e brand in the F&B segment in India.

With this I now leave the floor open for questions.

- Moderator:** Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Dhruv Agarwal from Crescita Investment. Please go ahead.
- Dhruv Agarwal:** Sir, I have some basic book keeping questions to ask. So, what was your total order inflow for the third quarter of FY18?
- Rohit Katyal:** For only the third quarter it was 825 crores.
- Dhruv Agarwal:** So, that was a single order that is got from your existing client, correct?
- Rohit Katyal:** That is right.
- Dhruv Agarwal:** And sir for the 9 months 2018 year to date what was your total order inflow?



- Rohit Katyal:** 1,930 crores approximately.
- Dhruv Agarwal:** And this includes the 247 crores which you have received in fourth quarter?
- Rohit Katyal:** No, that does not include. You have to add those 2 orders for the up-to-date year order inflow.
- Dhruv Agarwal:** And sir are you at L1 level for any orders currently?
- Rohit Katyal:** I have explained earlier also in the last quarter earning call that in private sector there is no L1 concept. Yes, we have a strong bid pipeline where we are negotiating with various clients and we hope some of those will culminate into our purpose.
- Dhruv Agarwal:** So, that bid pipeline is what you say 1,500 crores to 2,000 crores order book potential?
- Rohit Katyal:** No, the bid pipeline is much more. The 1,500 crores to 2,000 crores which we mentioned is the opportunity in the existing order book of 5,400 crores which means as the new phases of the client projects open up we are very well suited to get those projects as we have been seeing in this last one month we have received two such orders.
- Dhruv Agarwal:** And you have around 274 crores of cash & bank balance and it is still unutilized. So, how do you see that money being spent in FY19 and FY20 will you spread it over a 2-year horizon?
- Rohit Katyal:** As we had mentioned earlier this money is for long term working capital and as the order book increases and bigger ticket size projects come, this will be used in a phased manner as you rightly mentioned over the next 2 years.
- Dhruv Agarwal:** And about the long-term and the short term debt, will we see a reduction when we see the balance sheet in the March of 2018?
- Rohit Katyal:** You will definitely see a reduction, as I have already mentioned in my opening remarks that the gross debt now includes bill discounting limit as per IndAS, whereas previously as per IGAAP the bill discounting was not a part of the debt. So, including bill discounting it is 170 crores as compared to last year's 9 months of 179 crores. So, as it is you have seen a reduction not to talk about the cash which the company holds.
- Moderator:** Thank you. We have the next question from the line of Gaurav Khanna from Stallion Asset. Please go ahead.
- Gaurav Khanna:** Sir, the execution is it expected to pick up and in the coming quarters and second question is FY18 guidance still holds true to what you had given earlier?
- Rohit Katyal:** So, we have done 970 crores for the first 9 months. The whole year guidance before the GST implication was 1,400 and we are on track to achieve that. We have already mentioned that there is a reduction in revenue because of GST implementation by 18 crores in the first 9 months. That 18 crores to 20 crores or 23 crores will have a slight impact, but we are well on close to achieve the target sales what we had mentioned.
- Moderator:** Thank you. The next question is from the line of Abhijith Vara from Sundaram Mutual Fund. Please go ahead.
- Abhijith Vara:** Sir the Q4 ask rates seems quite high in terms of topline about 400 crores-420 crores compared to the current run rate. Just wanted to check whether that kind of execution is possible practically, so that is one question?
- Rohit Katyal:** So, as far as the sales are concerned we have achieved the sale of 143 crores in December. As we mentioned that the GST renegotiations and the contracts re-finalization took time up to December. So, the sales have now been started to be booked at 100% of work done every month and we do believe that we shall be at our target, if we are in 143 crores for December. repeat of these 3 months at the same level also should take us to the level which we have already mentioned even after the loss of revenue due to the GST implementation.



- Abhijith Vara:** And the current order book of 5,240 crores what will be the execution tenure?
- Rohit Katyal:** This will again vary but average would be about 3 years.
- Abhijith Vara:** So, one third is possible, execution is possible from FY19 one third of the current order book?
- Rohit Katyal:** Yes, you can more or less say that but then if you need the exact sales project wise you can definitely approach our people and we will be very happy to provide that order wise also.
- Abhijith Vara:** One last question, post RERA and GST how has the working capital changed for you especially probably November-December how did it change and also near term how do you see the working capital moving?
- Rohit Katyal:** So, as I mentioned there is a small increase in the net working capital cycle because of the negotiations of GST which nearly took 5 and 5.5 months on an average. Now when the GST implementation was going on, the bills were being certified at 80%-85% of the work done which artificially or temporarily increased the debtor level. We believe the debtor level to come down reduce in this fourth quarter and the working capital levels should remain at the FY17 levels.
- Moderator:** Thank you. The next question is from the line of Alok Deora from IIFL. Please go ahead.
- Alok Deora:** Just had a couple of questions. One was, how is your competition like so when we are in discussions with clients I believe they ask for, they are in discussion for around 3 to 4 clients for the same project. So, how is that competitive intensity and the second question is what would be the order inflow target for FY19?
- Rohit Katyal:** So, the intensity remains the same, as in the private sector I have mentioned, and I do maintain now also that these bids are on invitation and not on tender sale as in government sector. So, the intensity in private sector is obviously lower than what you would see in public-sector projects. As public-sector project is based purely on paper qualification as far as qualifying criterias are concerned. So, we have those 3 or 4 contractors with whom we are bidding for certain marquee projects and that will continue obviously you cannot have a monopolistic approach. But these 3 to 5 contractors who are there in each zone where they operate that will continue.
- Alok Deora:** And what would be our order inflow target for next year?
- Rohit Katyal:** We would ideally like to have 2.8 to 3.2 times our forward revenue target as our order book which means that if I am getting you an example please do not take it as a target. So, if we have let's say 2,000 crores target then the order book should be in vicinity of 5,700 crores to 6,300 crores as back log.
- Alok Deora:** Just one last question. The margin we would be looking at around 14% to 14.5% next couple of years based on the current order book that the margins we have booked at?
- Rohit Katyal:** Pursuant to adoption of IndAS the EBITDA margins are above 16% and we believe that will continue over the next 2 years because these projections are based on the existing order book.
- Moderator:** Thank you. The next question is from the line of Dhruv Agarwal from Crescita Investments. Please go ahead.
- Dhruv Agarwal:** Sir, one question which I forgot to ask is the sustainable EBITDA margins which you foresee for the next 2 to 3 years?
- Rohit Katyal:** The next 2 years we will be executing projects what we have in hand and therefore the EBITDA what you see now will be maintained because the commodity risk is not on the company. So, you are seeing something between 15.8% to 16.5% we see no reason why that should change obviously operational efficiencies because of RERA and GST implementation. GST implementation had a negative impact in these 2 quarters because the implementation

was going on. We believe from the next financial year it will be positive and that would slightly improve but more or less answering your question 15.8% to 16.5% is where we would like to see our EBITDA.

Moderator: Thank you. The next question is from the line of Divyata Dalal from Systematix Shares. Please go ahead.

Divyata Dalal: In the press release we have indicated that we are bidding for MCGM and in the opening remarks also we mentioned PWD orders if you can give color on the ticket size of these orders that we are bidding for?

Rohit Katyal: It would be upward of 400 crores. This is concerning the bids which will go in the current month and next month. But obviously government tenders come on daily basis, by tenders I mean NIT, Notice Inviting Tenders and it will depend on the tenders which are invited and which we qualified and bid for but ideally, we would be bidding for projects upward of 350 crores as I had mentioned in my last briefing also.

Divyata Dalal: And sir, how would be the competitive scenario in this ticket size if you have some assessment of that?

Rohit Katyal: You would have players up to 6 to 7 players across the country who would qualified for such on standalone basis.

Divyata Dalal: And sir is it fair to assume that the margins at which we will bid would be at the similar level of margins which we are clocking in the current order book?

Rohit Katyal: At cash profit level, yes.

Divyata Dalal: Just 2 book keeping questions. The EBITDA margin which we mentioned just few minutes back was including the other income?

Rohit Katyal: Yes, it is including all the income. The other income is an accounting way of showing finance income separately. This finance income primarily comes from bill discounting interest which we charge our clients and fixed deposits kept towards margins for bank guarantees and letter of credit. So, therefore we while giving you the EBITDA level we have included that.

Divyata Dalal: And in this quarter we saw a little bit increase in employee cost almost by 50% year-on-year. So, what can that be attributed to and how will be the run rate going ahead, sir?

Rohit Katyal: The run rate should be stable for a year now because we started some bigger ticket size projects over the last 4 months and which will have a direct impact on the employee cost but if you look at the 9 months level it is only 0.6% higher we should plateau out by the year end.

Divyata Dalal: And lastly have we started work on the Arihant Aspire project?

Rohit Katyal: Yes, we have started, and we will be billing in this month for work done in January.

Moderator: Thank you. The next question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: As my question is slightly more macro like in this quarter the third quarter of FY18 we saw that almost 21 states have now done the RERA implementation and we also saw that lot of these housing finance companies who lend to builders in developer financing they reported very strong growth. So, are you seeing some improvement for yourself also in terms of your existing clients, potential clients whom you are seeing that people are a little more positive on the project launches and sales going ahead and if yes, is it expected to benefit us as well?

Rohit Katyal: The fact is that there is an uptick. However, the finance companies lend first and then the contracts are awarded. So, if you have seen the uptick in quarter 3 and quarter 4 this will actually result into project execution opportunities in quarter 4 and over the next financial year.



And therefore, in my opening comments I did say that the changes which are coming out due to RERA they may have a short-term implication from negative perspective but on medium and long term it is very positive. So, yes I have already said in my opening remarks that we will be one of the best beneficiaries to the affordable segment along with RERA implementation.

Moderator: Thank you. The next question is from the line of Rahul M from Akash Ganga Investment. Please go ahead.

Rahul M: I just would like to know these 18 crores hit that we took on revenues due to GST, so what exactly was it due to?

Rohit Katyal: So, when the GST implementation happened all the excise duty component in the input prices which were earlier as the cost became a rebate available in the implementation of GST. So for example, reinforcement steel and concrete, so, when there is a reduction in the cost of purchases obviously there will be a reduction in the cost in the value of sales and this reduction resulted in that 18 crores reduction in sales. However, the cost of sales has marginally improved which means that the purchase cost also fell by likewise amount.

Moderator: Thank you. The next question is from the line of Dimple Kotak from SKS Capital & Research. Please go ahead.

Dimple Kotak: Sir, this is with regards to what is your growth guidance for topline?

Rohit Katyal: Madam, I have already given you this year's growth guidance. So, we had given pre GST commitment our growth guidance of about 1,400 crores for the current financial year and post GST implementation we are trying to stick to the same level of growth.

Dimple Kotak: And sir going ahead for down the line 2 to 3 years where do you see a topline or what is your goal for the whole company?

Rohit Katyal: Ma'am, I have given you the order back log which stands at approximately 5,400 crores to be executed over the next 3-3.5 years you may please draw your conclusion. We have been growing, what we have been doing in the past is available. What we will be doing in the current year is told to you and the order back log is available with you.

Moderator: Thank you. The next question is from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.

Subramaniam Yadav: Sir in the previous call you have mentioned that we do not have that raw material risk. What do you mean by that is it that if all the contracts are star rated or are the raw materials supplied by the client?

Rohit Katyal: So, when I say no risk on commodities means that most materials are star rated which includes steel, concrete and when I mentioned concrete obviously means that all ingredients which are going into concrete at times block, tiles, marble so on and so forth. So, here it is the star price or if basically full flow or full pass through of any increase or rebate of any reduction. So, all in all it is a non-speculative contract which we are executing. There are also some projects where in clients supply the steel and concrete but that is only may be 2 % to 3% of our entire order back log.

Moderator: Thank you. Next question is from the line of Ankush Mahajan from JM Financial. Please go ahead.

Ankush Mahajan: Sir, when we say I am taking the breakup of the order back log then we are seeing 13.3% is from super high-rise. So, in super high-rise from the developer's side, sir what is that ticket size of the developer basically 5 crores or 10 crores? I am talking about the flat.

Rohit Katyal: What I mentioned in the opening comments was that the total share of high-rise and super high-rise is 45%, alright. So, the 13% you just mentioned 13%, I did not understand that.

- Ankush Mahajan;** So, I am just trying to understand this 13.3% is super high-rise and those who are our clients are they selling their flats in super high-rise in the range of 5 crores-10 crores?
- Rohit Katyal:** Sorry, I have no idea at what they are selling. What I am trying to say is super high-rise in our parlance we define it as 55 and above. In normal market sense even if it is a 30 story, in Bengaluru people call it as super high-rise. So, the price of the apartment as you say or commercial premises varies from city-to-city and location-to-location. As far as Capacit'e is concerned we are looking at our contract value and the quality of the clients, so that our payments are secured.
- Ankush Mahajan;** So, our definition for super high-rise is basically?
- Rohit Katyal:** 55 and above where the logistics planning, the equipment deployment, the safety parameters, during construction firefighting requirements undergo a change.
- Ankush Mahajan;** Sir, how is the payment schedule from these clients in super high-rise?
- Rohit Katyal:** The payment terms with all clients whether gated communities, super high-rise, commercial or villaments is monthly billing to be submitted next month for the previous month and certification within 10 to 15 days and payment 15 to 45 days thereafter.
- Moderator:** Thank you. The next question is from the line of Iqbal Mehra from Golden Lake. Please go ahead.
- Iqbal Mehra:** My question is that for the quarter ended September and the quarter ended December total revenues have been in the range of 32,000 crores and then 36,000 crores. Your forward-looking order book is that 5,000 crores you must be bidding for government tenders also. With regards to the total revenues what are your projections and these revenues of 36,000 crores of a projects that will go on for how many years and how will you keep support from those revenues, what is the ratio of government contract to private contracts?
- Rohit Katyal:** So, point number one is 36,000 is not the figure it is 360 crores and 332 crores respectively, 366 and 316 when you compare quarter-to-quarter. The order back log you are right is 5,247 and that completion period as I said on an average is 3 years and which means that you have an asking rate of close to about 135 to 145 crores per month not taking into account any inflow of new order for the next 3 years. So, the full year target was your last question that is at about 1,400 crores which I mentioned for the current financial year. And since we have done a revenue in excess of 140 crores in December itself post complete implementation of GST. We believe that momentum to continue and that should be good enough for us to achieve the current year's target of approximately 1,400 crores.
- Iqbal Mehra:** And the ratio of government to private?
- Rohit Katyal:** At the moment 100% comes from marquee clients from private sector. We have just turned 5 years in age and therefore we have started bidding for certain government clients hopefully and over the next 2 quarters we should be able to give you some good news on government projects as well.
- Iqbal Mehra:** Can you please comment if you are present in Gurgaon, Delhi NCR or you are present only in the westerns and southern regions?
- Rohit Katyal:** So, our order book comes from 7 cities or 7 locations. In Delhi NCR we are presently working for 6 to 7 marquee clients. We are there in western India which includes Mumbai, Pune and MMR area. We are there in south in Bengaluru, Chennai, Cochin, Hyderabad, and Vijayawada.
- Iqbal Mehra:** Can I ask who were the marquee clients top 5 in any of these locations?



Rohit Katyal: If you talk about North we have Godrej, we have Brookfield, we have Airtel, we have Sir Gangaram Hospital Trust and we have Emmar. In Mumbai right from Oberoi and the entire client list is available if you could share your email id we can mail it to you.

Moderator: Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.

Ankita Shah: Sir, have we received the mobilization advance for the Arihant project?

Rohit Katyal: Yes, we have.

Ankita Shah: That would be to the tune of how much?

Rohit Katyal: That is the first mobilization advance of 5 crores which has been received in December quarter.

Ankita Shah: And total we will be getting 5%?

Rohit Katyal: 5%.

Ankita Shah: Interest free?

Rohit Katyal: Interest-free, all our advances are interest-free, ma'am.

Ankita Shah: And sir, two clarifications actually. The key projects that we highlight in our presentation are ongoing projects?

Rohit Katyal: That is right, all ongoing running projects.

Ankita Shah: And our CAPEX till date is 72 crores?

Rohit Katyal: That is right.

Ankita Shah: And target is 75 for this year and next year as well?

Rohit Katyal: The target for this year was worth 75 crores. If you look at the CAPEX of 72 crores it includes the capital work-in-process which was lying in the books as on 31st March 2017. So, when we talk about 75 crores it is 75 crores plus the capital WIP of last financial year. So, we should be able to maintain that with maybe a positive addition of about 10% to 12%.

Ankita Shah: And sir if I may, for the second quarter what was that total order inflow?

Rohit Katyal: Ma'am, we can mail that to you. I do not have it readily in front of me but for the first 9 months it is 1,930 odd crores.

Ankita Shah: That number I have sir. I just wanted for the previous quarter?

Rohit Katyal: So, you can minus 825 from that and it will give you a figure.

Ankita Shah: But that would be first half? You would have got some orders in 1Q as well?

Rohit Katyal: Yes, so you said you are asking for only Q2?

Ankita Shah: Only Q2, yes.

Rohit Katyal: We can definitely share that with you please send us your email details and we will share with you right away.



- Ankita Shah:** And sir one last thing you doing one project in subsidiary Altamount project?
- Rohit Katyal:** So, that is the 100% own subsidiary and it is virtually completed. We are talking about the Altamount-1 for Lodha and we have the final completion schedule for this quarter so that would entail the parent company that is the Capacit'e Infra to have a qualification of the tallest steel structure and residence in India of about 206 meters.
- Ankita Shah:** This project is expected to get completed by?
- Rohit Katyal:** This quarter ma'am. We are handing over this quarter.
- Ankita Shah:** And sir what will happen with this JV will it get dissolved or you have any new projects coming up within the JV?
- Rohit Katyal:** No, this JV was done when the company was very new and did not have particular qualification. Now that the qualification is built up, we do not foresee at least at this moment in time any new order been taken in this company since. It will be in Capacit'e Infra Projects Limited, the parent company only.
- Moderator:** Thank you. The next question is from the line of Bharanidharvijay Kumar from Spark Capital. Please go ahead.
- Bharanidharvijay Kumar:** So, I am trying to understand the market size, say in your west zone which contributes to 78% of your current order book of all these high-rise, super high-rise get it community kind of projects and in turn trying to say arrive at a rough market share that we would have in that region. Could you help me with that?
- Rohit Katyal:** When we talk about the whole housing segment alone a 6 trillion as published by the government of India. So, putting up figure is very difficult what I can help you is with Capacit'e specific answer. We have a bid pipe line of close to (+5,000) crores in the west zone which is being bid up to March end of this year, alright. And we have close to about 2,500 crores further coming up from south zone and north zone from our existing clients or very reputed client. The government size cannot be quoted because that is far too large but as I mentioned that we are looking to bid for certain clients specific in government sector like MCGM, like NBCC, like CPWD and so on. So, our target for the next financial year should be close to approximately 2,500 crores to 2,600 crores and with the bid pipeline I just mentioned, we do believe that this is doable. But I cannot answer your question with specific numbers because it is very difficult to put a number city-wise.
- Bharanidharvijay Kumar:** So, if I were to ask it in a different way, so obviously the market is shrinking due to the launches being lower and lower every year. So, just wanted to understand say for example if of the 2,000 crores of inflow that we are getting say 1,500 comes from West Zone and let's say there are 5 competitors and each of them equally have 20% share. So, the entire market size is close to about 10,000 crores in super high-rise, high-rise gated community in the western region. So, has that drastically shrunk? is it likely to shrink more? is it likely to grow more? I am trying to understand that.
- Rohit Katyal:** There is no question of arriving at the figure of 10,000 crores first of all. We are talking from our client's perspective, our clients come from the organized segment and the organized segment post-RERA or post-GST as you may call it has only seen consolidation and we just mentioned in our opening remarks with that is a very big positive for us. And therefore you are seeing the uptick in the repeat orders with the company is receiving from its existing clients. So, this 10,000 crores divided by 5, is not a right assumption to make first. We need to look at the macro picture when we are making first assumptions. We at the moment, what I am discussing is micro and specific to Capacit'e. We said we have identified opportunities worth 8,000 crores till March apart from the government sector and that will continue. Second point is that there is not being reduction in launches. Its number of launches reduced but value of the project increased and that is what you also see from the size of orders which we are booking or we are bidding for. So, we believe going forward consolidation will continue. That could be on number basis fewer projects but value basis much higher value orders coming in.



- Moderator:** Thank you. The next question is from the line of Suvendu Manna from Rover Equity Solutions. Please go ahead.
- Suvendu Manna:** One clarification on the trade receivables, in Q2 we had seen a jump in non-current assets it was 50 crores and in current asset segments it was around 417 crores, so are you in a better situation?
- Rohit Katyal:** So, as I told you our net working capital is at 80 days or 81 days for this quarter ending or 9 months ending and there has been a slight increase in that primarily because of GST implication where the order amendments or renegotiations from the client took more time than expected for the whole industry and we are not different. But we do believe that the net working capital to be at the same levels of FY17 by the quarter 4 ending FY18.
- Suvendu Manna:** Sir, my question was regarding trade receivables?
- Rohit Katyal:** So, I answered the debtors is trade receivables.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Most of the questions have been answered, few clarifications. Sir in the first half we said our order in flow was 937 crores and 9 month it is 1,930 CR. So, if I look at the third quarter inflow is close to 993 CR but you mentioned only 825 Arianant is the order inflow. So, is it fair to assume that 168 CR is a change in scope, increase in the scope of work from the existing order book?
- Rohit Katyal:** That is right. Those are regular order amendments increasing the scope from the existing projects.
- Shravan Shah:** So, is it also possible that there are also cases that in the existing order book once again there can be a possibility that scope of work can also increase?
- Rohit Katyal:** I said in my opening remarks that the existing order book for the clients we are working in that same location have a potential for addition of 1,500 crores to 2,000 crores over the next 2 years.
- Shravan Shah:** And second thing sir, 9-month CAPEX you said it is 72 CR and for FY18 how much it would be from earlier 75 CR?
- Rohit Katyal:** I said 72 crores including capital work-in-process as on 31st March 2017. So, our projections are at 75 crores additional CAPEX which would mean that the overall CAPEX on books would be 75 plus the capital WIP which we carried forward as on 31st March 2017.
- Shravan Shah:** And for next 2019 or maybe 2020 also this run rate will continue 75 CR?
- Rohit Katyal:** Yes, that is already been given that is an approximate figure. It is directly proportional to the inflow of orders which has been slightly higher than what we had anticipated.
- Shravan Shah:** And currently in terms of the depreciation and gross block, is it fair to assume that this kind of run rate will continue?
- Rohit Katyal:** Yes, the depreciation policies have been well-defined, and we believe that the same run rate will continue.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, just want to get a sense on the affordable housing opportunity that you spoke about. Basically, what I wanted to understand historically we have always been focus on high-rise or

super high-rise and we are very known name in that space. Now given the fact that you started talking about getting in to affordable housing I understand you would look for bigger size projects but then basically essentially there tends to be this perception that affordable housing tends to have lower margin even for developers. Does it mean you would be require make any changes in your cost structure so that you are able to kind of give them price that they want?

Rohit Katyal:

So, the fact remains that 60% of our order book does come from affordable housing. Our affordable housing is differently defined in Mumbai, differently defined in Pune and in various other cities. It is directly proportional to the cost of the land. The construction cost does not change too much except in super high-rise in South Mumbai. So let us keep that out. Now the Arihant order is an affordable housing though it is 42 stories. So is it a high-rise? Yes it is a high-rise. Is it a gated community? Yes it is a gated community, but it is an affordable housing again alright, similarly in Bengaluru we are doing many affordable housing projects with heights of may be 25 to 30 stories. But then it is under affordable housing batch. Recently if you see the government projects also which are coming up for tendering are affordable housing but as high as 25-30 and in some cases as high as 70 also. So, the word affordable does not mean that the building cannot be high-rise, or it cannot be super high-rise. Price is directly proportional to the amenities, finishes and the land cost. So, answering your question we do not see any reason to change our pricing policy because we already doing those projects.

Prem Khurana:

So is it fair to assume that you will not go in for low-rise, even it let say nomenclature is affordable does not matter if it is mid-income or high-rise or super high-rise. But in the idea would be to not look at low-rise project where in it tends to be 3 story – 4 story which is where anyone and everyone can come and bid for these projects especially if it is on government side.

Rohit Katyal:

So as I said that see our order book is close to 5,250 odd crores and does give a sense of comfort to the management and it should be give so as an investing community that there is no need for the company to go and bang it head on the wall and take some orders which gives such margins. There is no reason for us to do that because the private sector presence is strong, and government is a field whereas you rightly said only paper qualifications for bidding perspective work. Though the government also is looking at performance and past performance and your immediately past completed projects now. So, answering your question, we will not be going or we are not required to go and bid for such projects where margins materially differ from what we are currently executing at.

Prem Khurana:

And sir at the last call you talked about bringing our cash retention balances down it was around Rs. 100 odd crores. Has the number come down?

Rohit Katyal:

It is stagnant at the moment because our first focus was to get all the work order amendments. I agree that the work order amendment have taken a couple of more months then what we envisaged last time when we spoke. However, that industry and fortunately we have the order amendments now and therefore we will be pushing for reduction in both debtor level and cash retentions over this quarter and the coming next 2 quarters.

Prem Khurana:

And just one last from my end. On margins, if I were to exclude other income the margins seem to have come down on a Y-o-Y basis as well as on a sequential basis. Was there any one-off because essentially if look at the numbers ideally to my mind number should have even higher because the way you report the numbers seems to have changed, right. So, you do not include your GST as a part of your topline. So which essentially means you would get a same EBITDA with a lower topline so which essentially at least on prima facie basis they should have been some improvements in margins and even if I include other income the number seems to be flat. Ideally, it should have been higher just because of the fact that we have been reporting the numbers in a different manner now.

Rohit Katyal:

So, firstly as I said that any construction company should be viewed over 12 months' period. I have given a guidance of 15.8% to 16.5%. There will be small expenses which are added in a particular quarter when more projects are mobilized and started. So, there will be such small variations but year-on-year I am sure that the numbers would be in line with what you expect.

Moderator:

Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.

- Amish Kanani:** Sir, can you give us some idea about the ticket size that we are now bidding versus say 2 year back probably because which you are getting more margin and related question sir is that looking at a relatively healthy margin that you are posting, do you think the way the end consumer is consolidating there is a risk that those clients will expect some margin to be passed on to them? Thank you.
- Rohit Katyal:** So, the EBITDA is basically a play-off many parameters it is 5 activities which go into that. So, it is not only what the client. It is also directly proportional to the operational efficiencies which the company exhibits while executing the projects. So, while the ticket size of the projects are going up as you will see for over the last 15 months' period starting from the Oberoi win in November 2016 of 307 crores, the average ticket size has been growing. Yes, some clients with whom we are already working like Godrej, Kalpataru, if they offer a lower ticket size projects ideally we will not be able to refuse them and there is no reason to refuse such good clients. So, your 2 questions ticket size is going up? Yes it is going up. We do believe that future ticket size also will be (+250) crores with the exceptions which I just mentioned. The next point of consolidation, that is here to stay but RERA also then throws up newer client as you see that quarter-on-quarter we have been adding new clientele just like any manufacturing or IT company and we have been promptly disclosing that to all our investors. So, if you see if our number of clientele has improved over the last years from 20 marquee to 35 marquee clients, we do believe that this number will steadily go on improving and therefore the EBITDA margins will not be cannot be linked and should not be linked with consolidation of projects with certain set number of clients. We are not seeing such a thing happening at the moment.
- Amish Kanani:** And sir related question is our margins high because of now relatively higher ticket size and operating leverage or better project execution thing, it may be difficult to breakup. But if just to understand your margin but if you can just share some thoughts on that?
- Rohit Katyal:** So, you have answered my question all 3, operational efficiency, ticket size and balance sheet management. So, if my networking capital was 79 days on 31st March 2017 and even after such difficult four months of GST implementation it is gone up by 2 days that clearly shows the current asset and liability management which the company is prudently following not to mention of these strong operational efficiencies being exhibited at the project sites which is reflected from the repeat order intake.
- Moderator:** Thank you. The next is question from the line of Nupur Ajmera from PM Securities. Please go ahead.
- Nupur Ajmera:** I just wanted to know that as per our previous interaction you mentioned that Q3 and Q4 are comparatively better and stronger for the company compared to Q1 and Q2. So, may I know the reason for scattered growth in the topline?
- Rohit Katyal:** I had mentioned that we have lost 18 crores of revenue due to GST implementation. The entire impact of these 18 crores from topline perspective has got reflected in quarter 4 if you add that it would be close to 20% growth.
- Nupur Ajmera:** So, we expect a good quarter for results like the topline?
- Rohit Katyal:** I take that as your good wishes.
- Moderator:** Thank you. The next question is from the line of Chintan Seth from Sameeksha Capital. Please go ahead.
- Chintan Seth:** Sir, on the depreciation if I look at Q3 we have seen a reduction of almost 2 crores sequentially also. So, what is the reason for reduction in depreciation?
- Rohit Katyal:** First of all, the depreciation is also up the site establishment cost or temporary structures at the project size which are written-off over the project lifecycle also forms part of the depreciation. So, quarter-on-quarter when the total quantum comes down the depreciation also will come down on that impact. So, clarifying your point there is no reduction on the P&M portion of depreciation. That is the site establishment or temporary structures which you in formal

accounting parlance call it. So, if you were to further increase the projects and increase the site establishment in some quarter it may look higher or lower but there is a clear-cut economics and science imply to that accountancy norms.

Chintan Seth: So, implying that this quarter that cost or that part of the depreciation were lower compared to previous quarter as well as previous year that has led to lower depreciation accounting?

Rohit Katyal: That is right, very well understood.

Chintan Seth: Secondly sir, you explained about the order book and net working days, so on the 100 crores retention also you will be taking up that negotiations going forwards. So, what will the impact on overall networking capital next year if we account this 100 crores retention coming back to us?

Rohit Katyal: So, retention is not the part of negotiation. It is a part of our right to claim retention against submission of bank guarantee. I mentioned that the quarter 3 and quarter 4 the negotiation and discussions were pertaining to GST order amendments. So, there was no client available to be even discussing the retention release. Now since the company has the bank guarantee limits, we will be issuing guarantees. If we have done a revenue of 360 crores in quarter 3 the retention addition should have been 17 crores to 18 crores and if the retention has remained flat that means that we have been receiving retention moneys from the client. But this will be more aggressively pursued now which means if we are able to realize let's say 50 crores over the next 3 quarters. Then obviously would add to the operating cash flows of the company and any addition to the operating cash flows of the company will result in the higher revenues while maintaining the same working capital levels. So, this is a positive, which release of retention money would do to the company's balance sheet and the financials.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to Mr. Puneet Garg for closing comments.

Puneet Garg: On behalf of Axis Capital, we would like to thank the management of Capacite Infraprojects for giving us this opportunity to host the call and also thank all the participants who joined in. Before we close, I would like to handover the call to Mr. Katyal for his closing comments.

Rohit Katyal: Thank you very much. Thank you for joining in and those who wanted certain clarifications we request to send in their emails to our advisors and they shall be promptly replying to. Thank you once again.

Moderator: Thank you very much. On behalf of Axis Capital, that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.

