



Ref : CIL/STEX 30/Q3FY20
Date : February 18, 2020

To

The Secretary,
BSE Limited
Corporate Relation Dept,
P.J. Towers,
Dalal Street, Fort,
Mumbai-400 001

The Secretary,
National Stock Exchange of India Limited
Plot No. C/1, G Block,
Bandra Kurla Complex
Bandra (East)
Mumbai-400 051

Scrip Code /Scrip Id: 540710/CAPACITE

Scrip Symbol: CAPACITE

Dear Sir/ Madam,

Sub: Transcript of the Analyst/ Investor Conference Call held on February 11, 2020

Dear Sir

We refer to our letter dated February 07, 2020 regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company in Q3FY20 which was scheduled on Tuesday, February 11, 2020 at 11:00 AM (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

Monica Tanwar
Compliance Officer





Capacit'e Infraprojects Limited

Q3 FY20 Conference Call

February 11, 2020

ANALYST: MR. VIRAL SHAH- PRABHUDAS LILLADHER PRIVATE 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. Nishit Pujary - Head of Accounts
Capacit'e Infraprojects Limited

OPERATOR:

Ladies and gentlemen, good day and welcome to the Capacit'e Infraprojects Limited Q3 FY 20 conference call hosted by Prabhudas Lilladher Private Limited. Please note before we begin the call I would like to mention that some of the statement related to today's conference may be forward-looking in nature. As a reminder on 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. Viral Shah from Prabhudas Lilladher Private Limited. Thank you and over to you, sir.

VIRAL SHAH – PRABHUDAS LILLADHER PRIVATE LIMITED:

Thank you, Faizan. Good morning everyone, I welcome all the participants for the Q3 FY 20 results conference call of Capacit'e Infraprojects Limited. We have with us Mr. Rohit Katyal – Executive Director and Chief Financial Officer of the company. Mr. Alok Mehrotra – President Corporate Finance and Mr. Nishith Pujary – Head of Accounts. We would commence the call with the opening remarks from Mr. Rohit Katyal to give an overview of the company's performance. This will be followed by the Q&A.

Now I would like Mr. Rohit Katyal to begin the call with opening remarks. Over to you sir.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Thank you. Good morning everyone, a very warm welcome to our Q3 and 9-month FY 20 earnings conference call. Along with me I have Mr. Alok Mehrotra - President Corporate

Finance, Mr. Nishith Pujary - Head of Accounts and Audit and our Investor Relations team. I hope everyone has had an opportunity to look at our result. The presentation and the press release has been uploaded on the stock exchanges and our company's website. Before I take you all through the operational and financial performance I would like to highlight a few points.

Given the challenging economic environment our year-to-date performance has been satisfying. Based on our policy of suspending work wherever we foresee cash flows being a challenge, our top line witnessed a marginal decline. Despite this we were able to maintain a healthy margin profile as is visible in our EBITDA, PAT and Cash PAT margins. Our working capital days are at 70 days vis-à-vis 68 in H1 FY 20. Further we have turned debt free on net basis as on December 31, 2018 which is a huge positive considering the prevailing liquidity scenario.

The recent budget announcements such as building data centres, construction of many more hospitals under Ayushman scheme, medical colleges to be attached to district hospitals and development of hundred airports by 2024 under the UDAN scheme Shows the government's focus towards infrastructure which opens up serious opportunities for companies like us. Now allow me to give you an overview of our operational performance during the quarter.

Order book: The total order book public and private on a stand-alone basis as on 31st of December 2019 stood at Rs. 10,820 crores. Pure residential segment constituted 34% of the order book. Commercial and institutional segment constituted 14% while mixed use segment constituted 52%. Our order book from the public sector included in the above amount added on as at the end of 31 December stood at Rs. 5,351 crores which means 49% of the total order book. Projects currently under mobilisation stands at Rs. 5,000 crores.

Our standalone financial performance for Q3 and nine-month ending FY 20 is as follows:

- Total income for the 9-month FY20 is Rs. 1,241.3 crores as compared to Rs. 1,323.9 crores in 9-month FY19, thus witnessing a marginal decline down 6.2%.
- Our execution was impacted during the quarter due to the NGT issues in the NCR and extended monsoons in MMR.
- EBITDA for 9-month FY 20 grew by 6.2% to Rs. 228.9 crores as compared to Rs. 215.5 crores in 9-month FY 19. EBITDA margin for 9-month FY 20 was at 18.4% vis-à-vis 16.3% in 9-month FY 19.
- Depreciation and amortization expenses for 9-month FY 20 stood at Rs. 84.1 crores as compared to Rs. 64.4 crores in the previous fiscal same period. Depreciation for the quarter and 9-month ending December 31st 2019 reflect changes on account of adoption of IndAS 116 and hence not comparable with previous period. The impact on this account is Rs. 15.9 crores.
- The capEx spends towards core assets in 9-month FY 20 stood at Rs. 70.5 crores.
- PAT for 9-month FY 20 grew by 25% to Rs. 87.1 crores as compared to Rs. 69.6 crores in 9-months FY 19. PAT margin for 9-month FY 20 stands at 7.0% vis-à-vis 5.3% in 9-month FY 19.

- Tax expense for the quarter and 9-months ending December 31st 2019 reflect changes made by taxation laws amendments ordinance 2019 as applicable to the company.
- Diluted EPS for 9-month FY 20 stood at Rs. 12.83 per share.
- Cash PAT for 9-month FY 20 was Rs. 163.1 crores as compared to Rs. 139.9 crores during 9-month FY 19 registering a growth of 16.6%. Cash PAT margins for 9-month FY 20 stands at 13.1% vis-à-vis 10.6% in 9-months FY 19.
- The net-debt to equity ratio at the end of the period 31st December 2019 stood at 0.0 times.
- The cash and bank balance stood at Rs. 281.4 crores at the end of December 31st 2019.
- Total collections during the period quarter ending 31st December were at Rs. 591 crores.
- The net working capital days stood at 70 days vis-à-vis at 68 days in H1 FY 20.

With this I now leave the floor open for questions. Thank you.

OPERATOR:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants in the conference please limit your questions to 2 per participant. Should you have a follow up question we request you to re-join the queue. Thank you.

The first question from the line of PARIKSHIT Kandpal from HDFC Securities. Please go ahead.

PARIKSHIT KANDPAL – HDFC SECURITIES:

Sir what is the contribution of the public sector order book of Rs. 5300 odd crores in the 9-month and Q3 revenues if you can just highlight that?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

So Q3 revenues, the revenues have started building up for Bombay Municipal Corporation and the data centres being made for the DRDO through BSNL. And the contribution to that effect could be about Rs. 15 – Rs. 20 crores only in Q3. However, we do believe that in the current quarter the contribution from these projects excluding CIDCO which is under mobilization will exceed Rs. 50 crores.

PAKSHIT KANDPAL – HDFC SECURITIES:

Okay. So, real ramp up in the execution may happen only from the first quarter of the next financial year.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Ramp up has already started, if you see that we have mobilised BSNL and MCGM projects in quarter 2 and partially in quarter 3 and we have billed approximately 14 crores in January and to give an indication which means the ramp up is there so we believe that these 2 projects will start giving us good revenues from this quarter and peak from next quarter onwards.

PARIKSHIT KANDPAL – HDFC SECURITIES:

Okay, so from your order book point of view, so half of your order book is still not like meaningfully contributing to the revenues, so if I go to the residential order back log or private order back log of 5400 odd crores, so if you could just throw some light on projects which are slow moving.. So, if you can just break it up into what is really executable as of now on that 5400 odd crores of private order book?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

So, as a policy anything which is slow moving and to define slow moving means anything which is beyond the 6 months period where foreseeable revenues are not there, do not form a part and parcel of the order book. So out of 5400 crores the entire order book in our view is executable, number one. Number 2, 50% of the order book which you just mentioned I think its an error on your part as non-executable, as it has been received in the fag end of quarter 2 and quarter 3. So, for such mega projects you require 3, 4, 5 months for mobilisation and therefore we do believe that they will start contributing meaningfully from quarter 1 of the next fiscal. We don't see any order within the system which will not contribute towards revenue. If you may excuse me, I wouldn't like to take any names of any particular client but if we do remove any or move any order from the main order book to a slow moving, we will promptly inform you.

PARIKSHIT KANDPAL – HDFC SECURITIES:

Okay, so my only concern was that we have been averaging around Rs. 400 crs. on a quarterly basis, and major contribution is from that 50% of private order book, so once the public order book moves in to execution from 1Q and if I understand that execution time period would be similar so we could see a significant ramp up from the 1Q FY21.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Absolutely no doubt about it. We are in a sweet spot. No doubt about that.

PARIKSHIT KANDPAL – HDFC SECURITIES:

And just on the balance sheet side if you can give us numbers on, unbilled revenue and debtors and how quarter on quarter that has changed.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

You see that the unbilled revenue or the work done not billed, is as on a particular date and that may increase or decrease on quarterly basis. However, by the year end we do believe we will be maintaining the level which historically you have been seeing. So, while on 31st December 2019 you saw an amount of about 520 odd crores towards work in process, towards work done not billed, that billing out of that of nearly 220 crores has already happened and under certification. So, I do believe that most of it must have already been certified or will be certified in the next 5-7days time.

PARIKSHIT KANDPAL – HDFC SECURITIES:

Okay, and just lastly on the margin, sir, this quarter we have seen very good margin, stock margin; so, any change or revision in the guidance for the EBITDA margin.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Please allow us to surpass the targets. In such challenging time, at times we have to take tough decisions, all construction companies are doing the same. We do not want to be straddled with slow moving debtors and therefore while we may compromise with the top line, it is always better that we don't compromise with the bottom line. As a guidance we have already mentioned that the guidance will be between 15.7% to 16.5% EBITDA margin including Other Income. What you are seeing is certain operational efficiencies kicking in on back of projects being handed over and therefore a little bit reduction on absolute basis in the fixed cost of the company. As the revenues grow you may see better expansion but at the moment, let's stick to the overall guidance of 15.7% to 16.5%, no harm in, you know, always improving on that.

PARIKSHIT KANDPAL – HDFC SECURITIES:

There was no one-off right in this margin?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

No, there is no one-off, the point is that as I explained that you have to view the company, company's EBITDA, PAT, cash PAT over a period of 12 months at least. So, if you look at that we had given that once we start handing over projects there will be an improvement of 100-250 basis points. So, let's wait and watch for that, there is no one-off to answering your question.

PARIKSHIT KANDPAL - HDFC SECURITIES:

Thank you, sir and that's all from my side.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Thank you.

OPERATOR:

Thank you and the next question is from the line of Varun Ginodia from Ambit Capital, please go ahead. Mr. Varun, your line is in talk mode please go ahead.

VARUN GINODIA – AMBIT CAPITAL:

Sorry, yeah thanks a lot for taking my question. Sir, I have 2 questions, one is on the order book so if I see your order book number in 3Q and compare that with 2Q given that you have not won any orders inflows in 3Q; but the decline in order book is lower than the revenue booked in the quarter. So, have you taken any order back into your order book like Ahuja which was gaining tractions so has it come back to the order book or is there anything else in there?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Yeah, Ahuja order book in the last conference also we explained that it has come back into the order book because in Ahuja now the constitution has changed Fosun China is a majority stakeholder as we believe, number 1. Number 2, when you talk about the order book you cannot add up figures because there are scope revisions. In your existing orders if there are scope revisions that will increase the value of the order and if there is scope reduction that will reduce your contract value as a prudent company we need to take them into account and revise the order book upwards or downwards to come at the realistic figure.

VARUN GINODIA – AMBIT CAPITAL:

Got it, and the 2nd question is on the collections, if I look at the collections number the 9 months' number is lower than the first half number. The first half number was about 780-790 crores or odd and 9 months was about 530-540 crores. So why the decline, I didn't get the math there I thought 9 months should be higher than first half.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

I will appreciate you pointing that, actually that's a typographical mistake. The collection figure of 591 crores is for Q3 FY20 and not for the 9 months. So, the collection for Q3 FY20 stands at 591 crore, you may add the first two quarters collection of Rs. 798 crores to it, so the total collections during the 9 month period if about Rs. 1,389 crores.

VARUN GINODIA – AMBIT CAPITAL:

Got it, and just one last question if I may. On CIDCO execution timeline if you can provide some colour there, like how will that execution happen over FY 21/22? I mean of the total order book how much revenue you expect to book in FY21/FY22, if you can give some colour there.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Okay, CIDCO project consists and comprises of 7 locations. Of that as on 31st December 2019, 4 locations have been made available. The client has informed that in a phase wise manner as per the contract terms the balance locations will be made available before 31st of March '20 and therefore we do believe that this project will be executable over the next 3 financial years starting 1st April 2020. So, the peak revenue will happen over FY21, FY'22 and FY23 and will taper off from this project perspective in the year thereafter.

VARUN GINODIA – AMBIT CAPITAL:

Okay, thank you so much.

OPERATOR:

Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

MOHIT KUMAR - IDFC SECURITIES:

Hello yeah, good morning sir. Sir, my first question is on this CIDCO project, sir. Have you received all the sites, have they handed over and have we taken any mobilization advance?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

The first tranche of mobilization advance has been received by the company and this mobilization advance is interest free, number 1. Number 2, I just mentioned that out of the 7 locations, 4 locations were handed over in the last quarter, which have been mobilized and we are awaiting the final approval of this drawing which would happen anytime to start the work at the ground level. For the remaining 3 locations we expect the positions to be handed over because that's the scope of the client during the current quarter.

MOHIT KUMAR - IDFC SECURITIES:

Sir, there was another PMAY order from CIDCO just supposed to come, have you heard anything on that?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

That would be far flung, at the moment, once the PQ or prequalification or all the tender documents are out we will be able to comment. At the moment, we only have the

information that 131,000 units further has been approved by the board, that was I mean in the print media. So that's what we are given to understand. But any which ways preparation of pre-qualification documents, the whole process, just take 5 to 6 months at least. So, I don't think that any major projects on CIDCO perspective will be out. But obviously there are plans by the Central and State Governments.

MOHIT KUMAR - IDFC SECURITIES:

And so, my last question, sir, what is the kind of Capex that you've done in the nine months?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

We did about 74 crores.

MOHIT KUMAR - IDFC SECURITIES:

First half it was 39.5 crores am I right?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

That's right.

MOHIT KUMAR - IDFC SECURITIES:

Okay. Thank you, sir. Thank you.

OPERATOR:

Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

PARVEZ AKHTAR- EDELWEISS:

Hi. Morning sir. Couple of questions. Sir, first is what is the update on the MHADA order, how is that project shaping up?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Very well. We have received the clearances to start with the transit camps. The transit camps have been revised to 22 storeys into 3 towers and we believe that we will start the execution of that over the next fortnight or so. 1200 tenement has signed up with MHADA because that's in the scope of MHADA. And therefore, the deadline of December 2019 where MHADA had to move out about 1200 tenements to outside transit camps that has been shifted to March. And we believe that therefore if they are able to keep up with that target of March 2020 you should see opening up of nearly Rs. 2000 crores of work order plans from June 2020. So many positive developments on that front and after one year of detailed engineering design MHADA have been ultimately able to move forward by giving us place to start the construction.

PARVEZ AKHTAR- EDELWEISS:

Sure. Secondly what is the kind of Capex that we foresee in FY '21?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

FY 21, the budget has not been finalized except for CIDCO project and the order which we have just bagged in the current quarter which we announced maybe yesterday I think so. All other Capex has been completed. That means except for out of say Rs. 10,820 crores of standalone order book Capex for approximately Rs. 6,200 crores odd of order book stands completed. Exact budget, it would be inappropriate for me to give you a number. Once the budget is finalized, we shall appropriately inform the markets..

PARVEZ AKHTAR- EDELWEISS:

Sure. And lastly, I mean obviously there is an economic slowdown. You also mentioned that cash flow is a problem in the overall system. So how are we, I mean what is our thought process first on managing the working capital on existing projects? And second as far as new order inflows are concerned how are we approaching that?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

So, I take your second question first. New orders have to be from clients which are at par with existing quality or better. You have our order book and if you see the top ten clients, I don't think anyone can complain on that. And therefore, any new orders will be at par with those quality of clients or better. There's no question of going to the Grade B, Grade C and even digressing from the geographies where we are operating. Number One. Number two- there's no doubt that the last five quarters have been the most challenging quarters, at least what I have seen in my career and what Capacit'e has seen in the short span of seven years. So, what that only suggests that we have to be over cautious, we have to be ready to sacrifice top lines, to maintain the cash flows and to maintain the bottom line and the financial strength of the Balance Sheet. There's no point in having a 100 crore increase in top line and a corresponding increase of 100 crores in the debtor level. So that's what the company is focused at. Any which ways having said that we are not away from the industry. If everyone is facing challenge, we also have faced challenges. The only silver lining is that we have been able to navigate through it a bit better.

PARVEZ AKHTAR- EDELWEISS:

Sure. Thanks. That's it from my side and all the best for future.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Thank you

OPERATOR:

Thank you. The next question is from the line of Alok Deora from Yes Securities. Please go ahead.

ALOK DEORA- YES SECURITIES:

Good morning, sir. Just a couple of questions. So, what kind of revenues we're looking at from CIDCO project in FY 20, if at all?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

FY 20? Yeah we're looking at certain revenues which could be recognized from the design and engineering approvals. The actual execution in a meaningful way will start from Quarter 1 next financial year.

ALOK DEORA- YES SECURITIES:

Alright. And just one question on the order intake, like we've already sitting on a very robust order book. So, what kind of order inflows we're looking at now, because considering the huge order book and execution is likely to pick up in the next year or so. So how are we now targeting the fresh order inflows?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

See this has to be looked at from two perspectives. Number 1, in December 17 we had 63 operational projects. Today we are at about 42 or 43 of operational projects which means at least 20-25 projects have been completed and handed over or are under virtual completion. Okay! So, the challenge during the completion of the project is that you have to prepare your final bill, submit that, collect your monies and that takes the time period of 3 to 4 months. But the positive side to that is, that since now the company's total number of projects has reduced to that 42 or 43, and further slated to come down below 40 by 31st March of 2020, this freezes management bandwidth. While this happened order book of your Rs. 10,820 crores, now is spread over only 37 or 38 projects. Which means the revenue per project will be higher, thereby driving the revenue up and also giving the management the bandwidth to maybe take repeat orders from some of its existing marquee clients as and when they come up. Adding new client as I earlier mentioned would be only if the client is at par or better than the clients we have. Like we have GIC, we have Canadian Pension Fund, we have Oberoi Group. So, these clients giving repeat orders, it's always a welcome thing because the number of projects have reduced. So, we do have some appetite but the appetite has been kept for these clients.

ALOK DEORA- YES SECURITIES:

Got it. Just one last question. Have you seen any stress build up in your existing clients just at the initial stage where you've witnessed some sort of slowdown in the order from their side? Like in the existing order all the projects which you're doing for them.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

The projects where we had faced issues, we have removed all of them from our order book. And in case we face any further stress from any other particular client, because as I said that we are exercising abundant caution and if we feel on basis of evidences on the ground level and not at the Excel Sheet level, on the actual ground level, that if any client is going to face any tailwind, we will not hesitate in suspending and informing you about such project. Because as you rightly said the order book is so strong, a couple of orders getting suspended does not make any material difference to the company.

ALOK DEORA- YES SECURITIES:

Sure. Right. That's all from my side. Thank you and all the best.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Welcome.

OPERATOR:

The next question is from the line of Hardik Sodha from Crescita Investment. Please go ahead.

Hardik Sodha from Crescita Investment :

Hi Sir, this is Hardik. Just wanted to get the insight into, in terms of the measure that Government has taken on the real estate. However, most of our client doesn't fall into that category. But still the clients which were having the problem in terms of the receivables and where we have stopped the project. So, is that going to help us in terms of overall prospective from next six months to a year lying down the line? And secondly in terms of our working capital however we've been managing it quite well. Do you see the issue getting now subsided or we see challenge consistent, challenge to be remaining in the next six months?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Okay, so when this, this actually started after the aftermath of IL&FS and then subsequently which spread to certain NBFCs, not to take names. And therefore, whichever client at that moment in time had exposure to such NBFCs, were the clients on whom we pressed the brake pedal. Now nearly five quarters have gone by since that debacle of IL&FS effect.

However, I do believe that the next two quarters i.e. the current quarter and the next quarter. warrants to be very cautious because we do believe that the bank and the financial institutions whatever, they are only financing the reputed clients and the brands. And by brands, I mean Godrej, Oberoi blah blah. So, most of them are in our client book. So, we wouldn't like to experiment with any new client on the basis of a sanction letter of NBFC. That is very clear. Earlier we used to do it, we have burnt our fingers.

Asking a question on the government side, the government initiatives they have been announced in quarter 3 of the current financial year, it doesn't happen so quickly, it will take some time. you know to get reflected. What will get reflected soon is like a radius project which now we understand the Chembur radius project is going to be executed by L&T realty. Maybe that is being initiated by the lenders or whatever. In that eventuality we do hope that amounts for which we have done provisioning, we will be benefited by the reversal of those thereby improving the cash flow.

But the government initiatives, you have to give two to three quarters to actually see the beneficiaries. Because there are catch points in the government initiatives. Which means that, it is for projects which are cash flow positive, which means that ultimately those projects shouldn't have a loss. Number 2, it is a seniority debt as opposed to do a debt at par with the bankers. So, it depends on how the banks react and how and which are the projects which actually qualify because we can only see the macros, the micros only the actual developer would be aware of. So, we have to wait and watch, let's give it a couple of quarters.

Hardik Sodha from Crescita Investment :

Sure, so just another question in terms of the growth, we have been saying these last 12 - 15 months that this year will be the year of consolidation, = this year also we have seen the revenue not moving up despite the order book, so next year as you have spoken in few of the questions earlier that, in the next year, the CIDCO revenue will start kicking in, so on the private side also do we see growth or private side is more of kind of 10-15 % kind of growth where CIDCO will add much more, on top of that, or what is the overall status because despite an order books to sales ratio of 6 times six section and all that ,we are not seeing the direction that we were looking at or we were seeing in the past. So, can you just comment on the same.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

So, first of all the CIDCO project has come in quarter 3. The agreement has been signed in quarter 3. The mobilisation has started from November onwards, such a big project takes time to mobilise so it is only a matter of time that the revenues will be visible. The government has clarified it's committed to speed up the project, then we hope that they do that, number 1. Number 2, your private side excluding new order. plus the government projects excluding CIDCO are close to about Rs. 6,500 crores. And we do believe that they will grow up in revenue of nothing less than a Rs. 150 crores per month. That is the minimum which we are committed to do and give to the client. All the new projects of Oberoi have started picking up from this quarter onwards and we believe that, as I answered earlier, the MCGM and the data centre project will also start picking up from this quarter onwards. So, we do believe that there is enough juice in our order book excluding CIDCO to grow at the levels which the competition is growing. So, CIDCO will be the switch port where capacity stands in.

Hardik Sodha from Crescita Investment :

Thank you sir, thank you very much.

OPERATOR:

Thank you, the next question is from the line of Sagar Parekh from Deep finance please go ahead.

SAGAR PAREKH, DEEP FINANCE:

Good morning sir, just one question, your interest cost, you know is keeping on going up, so even quarter on quarter it was up so what would be your gross debt number?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

So the gross debt is Rs. 285 crore, the fixed deposits as mentioned is at 280 crore, the total FDR's with bank is 323 crores and the gross debt including term loans and bill discounting limits is at Rs. 284 or 285 crores.

SAGAR PAREKH, DEEP FINANCE:

So, 284 crores, sequentially its more or less flattish, right, because it was 288 last quarter?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

It reduced a little bit, it will go on, it could go up by Rs. 5 crore, come down by Rs. 10 crore but on a net basis we have turned debt free from this quarter.

SAGAR PAREKH, DEEP FINANCE:

So, your other income should start reflecting the cash balance?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Yes, this has been clarified earlier also. The other income also used to include earlier the interest from bill of exchange. Because of the market conditions we have stopped accepting bills of exchange because, we are not in the business of making money through interests. We believe that if we sign a bill of exchange, we are exposing our company to a higher risk. So, invoice discounting is only being done for clients whose payments are coming on time and no other client, So, therefore you see the dip in the other income. Obviously, bank deposits will yield that 6-6.5% interest income and this is the current level of the overall fixed deposit receipts ranked at Rs. 323 crores. You can guess about Rs. 18 crores or thereabouts coming on a yearly basis from that.

SAGAR PAREKH, DEEP FINANCE:

Right, so this incremental cash has also come in because of the mobilization advance which you received from CIDCO right that would be the key reason why your cash balance has gone up?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Multiple factors, that also results in the total liability going up briefly ok. So, the point is, CIDCO advance has come in, MCGM advances have come in. Apart from that, about Rs. 380 crore came in from other projects, so we continue to be focused on the overall cash inflows of the company and we wouldn't like to see any hiccups there ..Ok, there may be a quarter where Rs. 10 - 15 crores or 20 crores of debt may increase when you are mobilising such big projects. But then, on an overall basis, we would like to maintain the debt at this level and obviously reduce it over the next two years as I have informed earlier also.

SAGAR PAREKH, DEEP FINANCE:

Right so the gross debt number of Rs. 285 crores should more or less remain similar for next year as well right?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

I reiterate Rs. 15 crores plus minus in a particular quarter should not change the ideology materially.

SAGAR PAREKH, DEEP FINANCE:

Ok sir that is it from my side and all the best for next year thank you

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Thank you

OPERATOR:

Thank you, the next question is from the line of Nikhil Chaudhary from Akashganga investments please go ahead.

NIKHIL CHAUDHARY, AKASHGANGA INVESTMENTS

Hi good morning sir, couple of questions from my end could you just quantify the monsoon impact that would be very helpful.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

The NGT impact was close to Rs. 25-40 crores approximately because three projects were suspended. The Brookfield project which was grossing about Rs. 12 to 13 crores revenue per month, the DRDO projects being executed by BSNL in the Delhi NCR region that was impacted, so 3 projects were impacted and therefore we lost close to about Rs. 30 to 40 crores of revenue there. The extended monsoons as you are aware that we had monsoons in October in Mumbai? So 8 to 10 days impact results in an impact of about 12 to 13 days this time, but then the overall impact can be pegged at about Rs. 50-55 crores.

NIKHIL CHAUDHARY, AKASHGANGA INVESTMENTS:

Ok, ok and sir just like you mentioned, like you were in the phase of handing over a lot of projects. So, we would be witnessing a slight uptick in the working capital days and that would be temporary is my understanding correct?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

As I explained, the semifinal and the final bill and the certification thereof and the payment, basically last between 4 to 5 months. So, the point is since we are handing over multiple projects, if you see that in this year alone we are handing over around 10 projects and we are in the process of handing all our 10 projects hopefully by March of this year. So, you will have that bit of in the working capital slightly but over the period of the next 2 quarters you should see it meaningfully decline.

NIKHIL CHAUDHARY, AKASHGANGA INVESTMENTS:

Ok, that's it from my side thank you and all the best.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Thank you

OPERATOR:

Thank you, the next question is from the line of Seema Srivastava from SMC Global, please go ahead

SSEEMA SRIVASTAVA, SMC GLOBAL:

Hello, my question is related to the order book from the public sector. of Rs. 5,351 crore, I just wanted to know the status of execution level of these orders and the margin from the public sector order book?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

So, we as a policy don't give bifurcation between the private sector and the public sector margins. We have always maintained that the margin profiles are similar for both public

sector and private sector. The working capital could vary slightly. Out of the total public sector order book of Rs. 5,351, I had just answered earlier a question that we will start building up the revenues from this quarter. Last quarter Rs. 15 crores odd coming in from the public sector, this quarter we will see Rs. 50 crores and there after you will see a serious build up in the execution of the public sector order book.

SEEMA SRIVASTAVA, SMC GLOBAL:

Sir, how much time do you need technically to complete these orders?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

The completion varies from 18 months to 44 months.

SEEMA SRIVASTAVA, SMC GLOBAL:

That would be enough. thank you sir.

OPERATOR:

Thank you, the next question is from the line of Rachit Kamath from Anand Rathi, please go ahead

Rachit Kamath from Anand Rathi:

Hello Good morning sir, thank you for taking my question. I just wanted to understand, what is the mobilisation advances you have received in Q3 and how much more mobilisation advances you can draw in the coming quarter?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Sorry, , I think the details are not available in front of me,. What we have to receive going forward in this quarter and next quarter as per the current order book stands at approximately Rs. 260 crores.

Rachit Kamath from Anand Rathi:

Ok, so we can draw more Rs. 260 crores kind of advances? It could be interest free?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Yes, it will be interest free.

Rachit Kamath from Anand Rathi :

Sure, and sir my question is on capex, so how much more capex are we planning to do in Q4? So, you already said that we are almost covered for most of our projects with around Rs. 74 crores capex so far?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

As I have just informed that the budget is not ready as yet, so I do believe that there will be aluminum foam work requirement for an existing projects of about Rs. 14-15 crores. That could more or less take care of the existing project portfolio, excluding CIDCO. CIDCO will have a separate capex budget. But CIDCO's capex will be basically amortised over the life cycle of that project because the repetitions are far too higher.

Rachit Kamath from Anand Rath:

Correct, so the CIDCO capex will be somewhere in the range of Rs. 150 - 200 crores?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Rs. 108- 110 crores, again you are asking me questions, I am giving you answers but the last two answers cannot be taken as confirmed because, we are still working on the budget and that budget should be approved. Once the board approves the budget, we will probably inform you all.

Rachit Kamath from Anand Rathi:

Sure, sir one more last question is basically FY19 and FY20 again has been of a kind of consolidation year because some of our earlier public orders like the hospital project or the BSNL orders took some time to get going at the grounds and in this quarter you have only done Rs. 46 crores because our public order back log is down by that number, right. Basically, I wanted to understand that.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

I would like to correct you, in FY19 you have grown by 34-35% on topline. So, if 34% is consolidation, I don't know which is the growth year?

Rachit Kamath from Anand Rathi:

No, I am saying FY20 as such has so far been a consolidation year

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Absolutely, I just explained that, the microeconomics are such that we cannot risk bottom line and the balance sheet quality on the basis of just having a topline, so we will suspend projects even if we are to suffer on revenues, even if, we face any ailments in respect to cash flow from any client, no matter who. See we have a policy of absolute debt, we cannot increase debt overnight and therefore the growth has to come from the cash flows isn't it? Therefore I believe that all investors & analysts like you should appreciate this fact. The consolidation policy of the company is because we have a good order book, obviously the growth is there and will come in the coming quarter and the next financial year. But at the same time, we will not shy away from suspending any project, I repeat any project, where we have issues of cash flows or we perceive a cash flow issue coming up.

Rachit Kamath from Anand Rathi:

Actually, my question was in the FY20 we will be seeing some sort of flattish growth kind of a year?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

FY20?

In FY20, we will definitely have growth given the fact that CIDCO will be moving by that time and some of our other public orders will get moving on the ground.

Rachit Kamath from Anand Rathi:

In Q4 almost one and half months have already been complete now, so I just want to understand the outlook for the year.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

We don't give any projections on topline as you are aware. Our order book is there before you to see. We do give projections on our EBITDA and the subsequent PAT and the cash pat level. And the EBITDA margin guideline given was 15.7% to 16.5% and the company has been maintaining and bettering that. So, that is where we are,, we do not want our operations to be saddled with any unwarranted pressure towards topline, that they execute work without receiving money from the client. The market and the current situation of the economy does not warrant that. You must protect cash to ensure growth over the next 3-4 years' time.

Rachit Kamath from Anand Rathi:

Thank you

OPERATOR:

Thank you, the next question is from the line of Faizal Hawa from H G HAWA and Company, please go ahead.

FAISAL HAWA, H G HAWA & CO:

So, my questions are, can you give a figure as to how much of outstanding is more than 180 days now and are there any steps that we are taking to get the outstanding down?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

So, the debtors above 180 days, I don't have it ready with me currently. Number two, the total provisioning towards ECL in a small company like ours stands at Rs. 38 - 39 crores, so I believe that would be more than sufficient to cover, if any outstanding goes beyond 180 days.

FAISAL HAWA, H G HAWA & CO:

And do you feel that there is any turnaround in the real estate cycle in the Mumbai market whatsoever, you know any anecdotal evidences to see towards that?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

I maintain that there is sufficient pipeline in Mumbai and especially Pune area for commercial, retail and institutional spaces. The residential is only being launched by the branded players and = this change which has happened post RERA and post the IL&FS issue will continue. This change is permanent. We also see that there is a huge opportunity and a big pipeline on the commercial side and also in the technology space which are building huge IT parks now, at all the three locations, be it Chennai, Hyderabad, Bengaluru and Pune. So, there is enough in the pipeline over there. Residential as I mentioned will continue to grow on the back of branded players only.

FAISAL HAWA, H G HAWA & CO:

Thanks a lot.

OPERATOR:

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

PARIKSHIT KANDPAL, HDFC SECURITIES:

Sir here we had highlighted that in residential we continue to work with marquee clients and as and when order comes, we will take them, but on the public side what kind of bid pipeline you have right now. The projects you would have bid, you can highlight or share that.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

So, to avoid conflict of interest and also to avoid giving sensitive information to our competitors, I will not take names but I can share with you that there is a strong bid pipeline on both private and public sector side, for institutional buildings from government's perspective and commercial and retails space from private perspective. You must have seen in the current quarter we had about Rs. 350 crores order from a reputed developer, we have also bagged the Rs. 407 crore project of J J Hospital from PWD. We are bidding for about the Rs. 2,000 crore project in North India for hospitals, as we stand qualified to bid for hospitals now. And at the same time, we are seeing the huge IT demand coming in from our clients in South India and some like Oberoi and the Phoenix in the Western India, so we continue to engage and work with them and therefore I mentioned earlier, new clients quality would be restricted to similar levels or higher levels of our existing clients. So, the bid pipeline is strong, however having said that our order book coffers are full at the moment in time. So, it has to be extremely appealing and positive to the bottom line, if a new order book has to be created.

PARIKSHIT KANDPAL, HDFC SECURITIES:

So next year, what kind of number, order inflow number you are looking at?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Actually, do you really want us to take further orders?

PARIKSHIT KANDPAL, HDFC SECURITIES:

No sir, I was just asking because I just wanted to see directionally how much you are targeting, you have some number in mind?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

I just mentioned, we are targeting to come below 40 projects by 31st of March, if we are able to achieve that, we will look on a case to case basis because, we have to keep some of our efficiencies idle to serve our existing clients. We cannot say no to them abruptly.

PARIKSHIT KANDPAL, HDFC SECURITIES:

And if you can just share the number of capex, FDR and the acceptances for the quarter?

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

I don't have it readily with me. Sorry.

PARIKSHIT KANDPAL, HDFC SECURITIES:

Ok, sir Thank you that's all.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRAPROJECTS:

Thank you very much.

OPERATOR:

Thank you, as there are no further questions, I would now like to hand over the conference, over to the management for closing comments.

ROHIT KATYAL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, CAPACIT'E INFRPROJECTS:

Thank you everyone for joining on the call, we hope we have been able to answer your queries. For any further information, we request you to get in touch with SGA or Investor Relations Advisors. Thank you and see you next quarter.

OPERATOR:

Thank you, on behalf of Prabhudas Lilladher Private Ltd, that concludes this conference, thank you for joining us and you may now disconnect your lines.

(End of Transcript)