



Ref : CIL/STEX 30/Q3FY19
Date : February 12, 2019

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 05, 2019

Dear Sir

We refer to our letter dated February 02, 2019 regarding the Intimation for Earnings Conference Call with Analysts/Investors on the Un-Audited Financial Results of the Company for the quarter and Nine months ended December 31, 2018, which was scheduled on Tuesday, February 05, 2019 at 11:30 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**

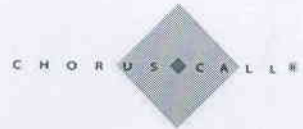
Sai Kedar Katkar
Company Secretary and Compliance Officer





“Capacit'e Infraprojects Limited Q3 FY-19 Earnings
Conference Call”

February 05, 2019



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

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Moderator: Good morning ladies and gentlemen, welcome to the Capacit'e Infraprojects Limited Q3 FY19 Earnings Conference Call. This conference call will contain forward looking statements about the company which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '**' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rohit Katyal – Executive Director and Chief Financial Officer from Capacit'e Infraprojects Limited. Thank you and over to you sir.

Rohit Katyal: Good morning everyone. A very warm welcome to our Q3 and 9-month FY 19 earnings conference call. Along with me I have Mr. Alok Mehrotra – President (Corporate Finance), Mr. Nishith Pujary – Head Finance and Taxation and our Investor Relations Team. I hope everyone has had an opportunity to look at our results. The presentation in the press release has been uploaded on the stock exchanges and our company's website.

Now let me give you a highlight on our operational performance during the quarter, starting with the order book:

The order book excluding MHADA as at the end of December 31 stood at Rs. 7,519 crores of which private sector constituted Rs. 7,086 crores and public sector Rs. 443 crores. Residential segments contribute 77% of the order book and commercial and institutional segments contributes 23%, up from 2% in FY 17. Large part of the order book is contributed by high-rise and super high-rise buildings at 46% followed by gated communities at 36%. The key events during Q3 FY 19 were as follows:

- Repeat order from Oberoi Realty worth Rs. 705 crores.
- Order from Furein Construction worth Rs. 208 crores. This is our first major order in the factory segment.
- Order from BSNL for data centers worth Rs. 335 crores
- R&D centers for Institute of Chemical Technology worth Rs. 98 crores.
- Apart from above, we are L1 in public sector for projects worth Rs. 456 crores.

Performance highlights for Q3 and 9-month ending FY 19:

- The total income for the 9-month FY 19 grew by 36% to Rs. 1,317 crores as compared to Rs. 970 crores in the 9-month ending FY 18.
- EBITDA for 9-month FY 19 grew by 34% to Rs. 209 crores as compared to Rs. 156 crores in 9-month FY 18. EBITDA margin for 9-month FY 19 stood at 15.9%

- Finance costs as a percentage of total income has declined to 2.6% in 9-month FY 19 from 3% in the 9-month FY 18. On absolute basis the finance cost for the 9-month FY 19 stood at Rs. 34 crores as compared to Rs. 29 crores in the 9-month FY 18.
- Depreciation and amortization expenses for 9-month FY 19 stood at Rs. 64 crores as compared to Rs. 40 crores in the 9-month FY 18.
- The CAPEX spent towards the core assets in the 9-month FY 19 stood at Rs. 55 crores.
- PAT for 9-month FY 19 grew by 23% to Rs. 70 crores as compared to Rs. 56 crores in the 9-month FY 18.
- Diluted EPS for the period stood at Rs. 10.26 per equity share in Indian rupees.
- Cash PAT for 9-month FY 19 was Rs. 140 crores as compared to Rs. 99 crores during the 9-month FY 18, growing by 41%.
- Total collections during the first 9-months of the current fiscal stood at Rs. 1,279 crores.
- The networking capital days including retention stood at 81 days vis-à-vis 89 days as on 31 March 2018 and 95 days as on Q3 FY 18. Similarly, net working capital days excluding retention stands at 55 days vis-à-vis 58 days as on 31 March 2018 and 65 days as on Q3 FY 18.

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

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Utsav Goswami from Evolvence Capital. Please go ahead.

Utsav Goswami: Can you give us a little bit of color on the depreciation numbers? The depreciation numbers seem to be reducing versus the previous quarter.

Rohit Katyal: So the total depreciation including amortization is at Rs. 19.86 crores. Of this the amortization expense has reduced in the current quarter because new projects have started. So when you start new projects the amortization is lower which speeds up with the execution of the project.

Moderator: Thank you. We move on to the next question that is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: So I was looking at your order book. So now we seem to be increasing our exposure to public sector and government orders. So we are at Rs. 433 crores we have already won including 2 orders and then Rs. 456 crores we are L1 and if I see your slide on page number 7 you have highlighted some of the other segments like metros and airports. So the strategy, over the next couple of years or 3 years how are we approaching the government sector? Are we going to bid across segments or be choosy? So what is our approach now?

Rohit Katyal: So if you look at the order book this will change in the strategy. We are 6 years old from the commercial operations perspective in January of 2019. So obviously we have an opportunity to bid for government projects as we stand qualified for many more projects now. So the focus



will be remaining on institutional building, residential segments as far as government projects are concerned, which is in line with our approach in the private sector as well. So as we stand today we believe that nearly about 16% of the overall order book as on 31st of March 2019 would be coming from public sector projects. And going forward as we get opportunity, the bid pipeline both in private and government especially remains quite strong so you may see an order mix of about 25% in favor of the government with 75% to the private sector, excluding MHADA.

- Parikshit Kandpal:** So you will be looking like projects like IIT, AIMS and all those kind of projects?
- Rohit Katyal:** Yes we are qualified. So we will definitely be looking at those along with the residential projects under PMAY with reputed government agencies.
- Parikshit Kandpal:** Out of the current order book of 7500 so how much work is still not started.
- Rohit Katyal:** Work has started on all projects except one project of PepsiCo factory executed for Wadhwa which is under the designing stage.
- Parikshit Kandpal:** Just lastly this Commerz-III anything like any discussions with Oberoi on the Commerz-III 1.7 million sq. feet.?
- Rohit Katyal:** Wouldn't be able to comment, please appreciate. TWe are under the confidentiality clause with our respective clients.
- Parikshit Kandpal:** Okay sir, that is all from my side. I will join in.
- Moderator:** Thank you. The next question is from the line of Shashank Balan from Rockstud Capital. Please go ahead.
- Shashank Balan:** I can see that there is an increase in the depreciation and amortization costs as from the last concall I could understand that part of it is due to the amortization of site establishment expenses. So if you can throw some light on that how is it booked and how does it flow to the P&L and what is the reading for that?
- Rohit Katyal:** So for the quarter it has reduced, the first question was that why is the amortization and depreciation lesser for the current quarter? So if your question refers to the first 9-months it is at Rs. 40 crores as against Rs. 42 crores in the earlier period, and the major part of this is towards the site establishment amortization. So depending on the revenue recognized, bills certified, pro rata site establishment costs are amortized and booked under depreciation quarter-on-quarter; that is it moves to the P&L under the head of depreciation and amortization.
- Shashank Balan:** So these are basically the expenditure that would....so site establishment expenses so what does the fall comprise of actually?



Rohit Katyal: So when you start a site, you have to make a labor colony, you have to erect equipments for which you do civil work, you have barricading, you have roads, you have safety equipments all these other items constitute site establishment which are amortized from 0-85% of the project life cycle.

Shashank Balan: So it is basically for one particular project to undertake most of the...so these are kind of one capital good which is used for the whole project, then you cannot utilize it for the next one, right?

Rohit Katyal: So the stores part of it which is nearly Rs. 40 crores out of the Rs. 120 crores of site establishment can be utilized, but once it is amortized the value in the book becomes zero. So it remains at zero but it can be utilized for the next project. However, something like a road constructed, approach road, foundation for equipments this cannot be utilized again. And they are also expensed out. So some can be utilized but they have to be expensed out till the project reaches 85% of the value.

Shashank Balan: Okay, sir wanted a further clarity, I could find out that if we see today the revenues that you booked in this particular quarter has moved....so sales per se has increased a 22% but if we see the year-on-year basis for the quarter there is an increase of 58% for the depreciation and amortization charge. So what is the reason for that and is it that because we are new into the thing that is why it is increased? What is the exact reason for that?

Rohit Katyal: Depreciation for the quarter ending is Rs. 19.86 crores as against Rs. 26 crores of the prior quarter, so it has reduced and not increased.

Shashank Balan: Okay, but as far the results it is showing that it is 12.6, right?

Rohit Katyal: Sorry? You are looking at 31st December 2017, obviously it will increase. You have mobilized 5 new projects in the current quarter.

Shashank Balan: Is there a particular percentage of site establishment that is directly linked to the revenue that is amortized?

Rohit Katyal: There is no particular percentage. If the revenue of a particular project is Rs. 20 crores in a quarter amortization happens accordingly. However, as an internal guideline the site amortization is under 1.5% of the order backlog.

Shashank Balan: Okay sir and my next question would be, now we have a very strong order book on our hand and there are actually some issues that going on in the real estate space but there are.... Union budget has given a good push for real estate. How do you think this will play out in the next 2-3 years? What is your view on that?

Rohit Katyal: 2-3 years is a very long period where we are living in an era where every 3 months, we are getting hammered because of a PNB scam, sometimes ILFS issues, so what I can tell you is

please look at the quality of our clientele. Nearly Rs. 6000 crores come from the top 13 clients and our revenue projections are based on these top 13 clients, and we have enough visibility to ensure that the whole targets for the current year and next year will be fulfilled.

Shashank Balan: As we had a topline of year about Rs. 1500 to 1600 crores maybe this year, and we have an order book of Rs. 7500 so this is excluding what the government-based projects that we have in hand?

Rohit Katyal: Yes.

Shashank Balan: So will there be a requirement of additional CAPEX to complete this and what will be the requirement to increase this to attain and complete these projects? How will that flow?

Rohit Katyal: The CAPEX budget has already been provided earlier. That stands at about Rs. 75 crores for the current financial year. The next financial year budget will be approved by the Board in March and we will inform you subsequently.

Moderator: Thank you. We move on to the next question that is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: Sir just one question from my side. Regarding the NBFC crises and liquidity issues that many developers are facing I mean, how have things panned out for us over the last 1-2 quarters? Has there been any improvement in let's say, Q4 which is currently as compared to how things were over the last let's say, 2-3 months? And what steps are we taking to ensure that our exposure to the developers remain within a particular limit and our working capital cycle doesn't get stretched?

Rohit Katyal: So as you rightly said Q3 has been challenging, November particularly where all banks including NBFCs had stopped disbursements. We saw the collections at Rs. 117 crores in November but that picked up in December to stand at Rs. 170 crores and with the full 9-months being at Rs. 1,268 crores, needless to say that, had the NBFC crisis not happened this collection would have been much higher. However, having said so, it is as per our internal guideline which we had explained earlier also, clients not paying in two months, the projects will stop and therefore our revenue guidance takes into account these parameters. Let me also add that our Q3 revenues would have been higher by Rs. 50 crores had the NGT issue in the northern India and the NBFC crisis not happened. But having said so, since we always factor such parameters, we are well on line to achieve the full year target. Now coming to the strategy that our working capital doesn't get stretched, As a policy and very rightly so we will not work for clients from where the payments are delayed or delayed beyond a point of the comfort or convenience of the contractual terms.

Moderator: Thank you. We will move on to the next participant that is from the line of Hardik Sodha from Crescita Investments Management Pvt. Ltd. Please go ahead.

- Vijay Sodha:** Hi this is Vijay Sodha from Crescita. Sir just want to understand two things, one is on the interest cost. However, our debt shows around Rs. 180 crores during this quarter as well there seems to be interest cost of Rs. 34 crores for the 9-month. So how much is the cost pertaining to the retention and bank guarantees in recent how much is the actual cost of interest on the borrowings?
- Rohit Katyal:** So there is no interest cost due to retention, alright?
- Vijay Sodha:** Yes, see basically I am just trying to understand on bank guarantees and all that.
- Rohit Katyal:** So the total expenses can be attributed to 3 things; one is the....so the total finance cost of Rs. 33 crores about Rs. 6 crores is the bank guarantee charges, LC discounting is about Rs. 6 crores and other are the bank charges for Rs. 475 crores. So if you look at the total year, as you rightly said Rs. 33.99 crores is the finance charges but our interest income which is up under the head of 'interest on fixed deposit and other interest income' also stands at approximately Rs. 23 crores. So on net basis there is no interest out go but answering your question the bank guarantee charges and bank charges are about Rs. 10 crores.
- Vijay Sodha:** Okay, sir then secondly in terms of this tax rate, this quarter tax rate is around 40% so is that some element of one-off in that? Or is there higher...so the tax is around 39.5% for this quarter.
- Rohit Katyal:** That is the result of the deferred tax, nothing else.
- Vijay Sodha:** Deferred tax, okay fine. Okay sir, thank you.
- Moderator:** Thank you. We will move on to the next question that is from the line of Sriram Kumar from Spark Capital. Please go ahead.
- Sriram Kumar:** Good morning sir. I have a couple of book-keeping questions sir. Can you please provide the split of order book by design build, shell and core, lock and key?
- Rohit Katyal:** We will come back to you as we don't have numbers readily available.
- Sriram Kumar:** Sure sir, and the second thing is how does the margins vary between design build, shell and core and lock and key?
- Rohit Katyal:** I have already given details about this, but however you can note it down. From a plain vanilla lock and key which could be at 10% to super high-rises which could go as high as 22% so the average is between 15.7-16.3%.
- Sriram Kumar:** Okay sir, so in super high-rise generally it is mostly you will have lock and key or is it design build?



- Rohit Katyal:** Both. It will depend on the client requirements. So in the private sector it could be more of shell and core with partial finishes while in public sector it will be lock and key always.
- Sriram Kumar:** Sir and the second thing you said that there is a 46% high-rise and super high-rise. So, can you give the split of 46% high-rise and super high-rise buildings in the order book?
- Rohit Katyal:** We can share in subsequent call not currently. Because going project wise would take a very long time because we are executing nearly 50 projects as this moment.
- Sriram Kumar:** Sure sir, thanks.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Good afternoon sir. Sorry if I have missed this numbers, so given that we are 9-months into this year, where does our guidance for the full year topline stand? And have we also given out any guidance for the next year?
- Rohit Katyal:** We do not basically give any guidance but the guidance is generally derived by people like you on the basis of the order book and operational performance. So we are at 1300 crores already for the current financial year first 9-months. Therefore number of Rs. 1700 crores for the current financial year which we had given stands and there is no doubt that we will be achieving that or surpassing that. During the next conference call we will have a detailed discussion.
- Vibhor Singhal:** Sure sir definitely. Secondly, I just wanted to get a sense a bit on the industry perspective, not necessarily from your own clients' perspective but from an overall demand perspective that we're seeing in industry, so two things. One is in the budget we had seen state of measures in terms of second homes and other kind of benefits that were provided to the real estate sector. As per your understanding of the sector and also the feedback that you might have got from your own clients were they sufficient enough to maybe provide some boost to the basically level of activity in the sector or they were just an eye wash? Secondly on the commercial real estate what is the kind of demand that we're seeing? I know large part of our order book is in residential but around 15-20% is what you mention is in commercial side. So in the commercial real estate phase are we seeing any pickup or even there the inventory seems to be so high that there would be some time before we expect significant momentum?
- Rohit Katyal:** So the challenges apart from what you mentioned in our view are primarily two; the NBFC issue which happened during September-October-November needs to be addressed holistically by the banks or the Reserve Bank of India, and this is for the industry we are not talking about our company, number one. Number two, and the most important is that the proposal for the 5% composition GST which is under consideration at the CBIT. If that it is approved it will be a very-very big boost because at the moment what we understand from our clients and open market that genuine buyers are just waiting because they believe that they would be able to

save money if the composition scheme is come into play. And there is a high probability that over the next 45-60 days this should happen. So all the markets where the sale prices are like Mumbai Rs. 15,000, Rs. 20,000, Rs. 25,000 a sq. ft. wherein the land component is nearly 90%, the composition scheme would be a very-very big push for the sales. So these are the two parameters which we are looking towards and that would give a good flip to the industry.

Coming to the commercial side, the commercial overhang got over in FY 17 and we're seeing a lot of activity happening there, and that reflects in our order book. Commercial was only 2% as on December 2017 which today stands at nearly 23% of the expanded order book of the company.

Vibhor Singhal:

Okay, and sir just to stress a bit more on that, so which part of the commercial segment are we seeing more opportunities? Because if I were to look at it sir, most of the IT companies which were historically the demand drivers they have not been setting up new campuses and they have not been adding people as well. So the new investment from their side has been significantly lower so is it related to some other segment that we're seeing this kind of a demand? And is the demand in certain pockets like Bangalore, Hyderabad, Mumbai itself or is it you have seen it across the country?

Rohit Katyal:

So you are seeing a serious traction in the markets like Chennai, Hyderabad, Pune and you have companies like Ascendas, GIC Singapore, Brookfield investing very heavily in IT. We should remember that the Indian IT industry size is not only the top 4 it is humongously high So we're also seeing a lot of SEZ being set-up, we are executing two of them -one in Noida and one in Chennai Park, Brookfield and GIC Brigade respectively. Then we're seeing a lot of demand in the retail, after a lull of 10 years you are seeing a lot of malls of very big size being set up by people like Phoenix and others. So demand is across it is not only IT. Commercial doesn't mean only IT, commercial and institutional means hospital, education, healthcare, hospitality and so on and so forth.

Moderator:

Thank you. The next question is from the line of Rachit Kamat from Anand Rathi. Please go ahead.

Rachit Kamat:

I just wanted to know I think I missed out the debt numbers for the quarter -gross debt. May I have that?

Rohit Katyal:

The gross debt is Rs. 221 crores.

Rachit Kamat:

So we have made repayments of almost around Rs. 40 crores?

Rohit Katyal:

This is as on 30th September and compare that to 31st December number of Rs. 259 crores.

Rachit Kamat:

Rs. 259 crores, this is on March, right?

Rohit Katyal:

No, this is as on December.



- Rachit Kamat:** Okay, and sir what is the cash position on hand?
- Rohit Katyal:** Rs. 253.6 crores.
- Rachit Kamat:** Okay, sir actually I have one more question regarding our working capital days. So generally government order is said to be more like, including you know the performance guarantees and retentions that we submit. So do we see an expansion in our working capital days because if you are looking at 16% of our order backlog to rise to you know, or year in order backlog so we might have a, our working capital cycle might actually deteriorate like that, wouldn't it?
- Rohit Katyal:** We don't believe that. Our clients will include BSNL, ICT and the likes. We do not believe that there will be an expansion in the networking capital of the company. On the contrary with these three projects it could marginally reduce.
- Rachit Kamat:** Okay, and sir what kind of bid pattern of looking at on the government side, like in terms of inflow, like what additional inflows are we looking at, private and public?
- Rohit Katyal:** That would be difficult to say. Actually, we have already much-much surpassed. The current year inflows stand at Rs. 3150 crores excluding MHADA as against the Rs. 1800 crores guidance given in March last year. So the point is that we already have surpassed that so we are at the moment picking and choosing and bidding for projects. It will not be possible to bid for each and every project so obviously nearly 70% of the orders is coming from repeat clients like Oberoi, Piramal and the like, and we believe that going forward that should continue.
- Moderator:** Thank you. We move on to the next question that is from the line of Bharti Sawant from Mirea Assets. Please go ahead.
- Bharti Sawant:** My question was more on margin and your execution. So we have seen that the execution even in the current quarter has been very strong, despite of that our core margins have declined, and the one thing that I observe is that our overall spends on the RM side i.e. RM and other construction expenses put together has been increasing at a very rapid pace. So any color on that and incrementally what sort of margin should one assume on the core business, ex of other income?
- Rohit Katyal:** So let's talk about the EBITDA for the first 9-months that stands at 15.85% which is within the band of the guidance which we have provided of 15.7%-16.3%. In the current quarter as I explained we started 5 new projects, alright where the revenue is yet to be recognized and since we follow the quantity survey method, only once the revenue is recognized will the profits be recognized, and therefore you will definitely see the expansion happening in Q4, the full year guidance remains between 15.7%-16.3% and I do believe that there will be an expansion. So we should be able to see an EBITDA of (+16) for the full year FY 19.
- Bharti Sawant:** But this is you are talking inclusive of the other income, right?



Rohit Katyal: That is right. So because we are comparing all 4 quarters in the same manner i.e. December last year till December this year.

Bharti Sawant: Okay, but that will still be a compression if I include the other income though it is within the guidance. But last year if I look at so the margins including other income was close to 17%, 17.1% and compared to that there is definitely a compression in the margins then.

Rohit Katyal: Madam I will just correct you, 16.74% was the EBITDA last year, but the full year stood at 16.05%. We have been stressing on the fact in a construction company when a new project starts in a particular quarter there will be a depression in the EBITDA margins or the EBITDA levels and the PAT levels. But over the full year when you see last year also we were at 16.74% and we are again giving you a guidance that we will be (+16) in the current year also. So it is not that we can pick up one quarter and say that the margins have dipped. If there are 5 projects which have started in the current quarter, you have seen expansion in the CAPEX expenditure this quarter and you will see the revenue of these mobilized projects coming in Q4 of the current financial year.

Bharti Sawant: Just to get a further clarification, you said that you have started with couple of new projects. So has the cost related to that project already booked in Q3 numbers and the revenue equal to cost is not booked in the numbers, is that the right way to look at?

Rohit Katyal: Obviously yes.

Bharti Sawant: Only the cost portion is booked and no revenues no profits?

Rohit Katyal: Correct, because when you start with a project you spent salaries, you mobilize the site, you start with primarily activity, alright. Once you start with these activities these expenses are expensed out, they cannot be kept for the next quarter.

Bharti Sawant: And secondly the question that I have is, only site establishment expenses. So I do understand about the quarterly variations but one key aspect that we have been highlighting is whenever there is a handover of a project the site establishment expenses generally increases. But...

So I was trying to understand on this site establishment expenses I do understand the quarterly variation. But then is it not possible to amortize the cost over the life of the project, the estimated life of the project so that we don't have significant variations?

Rohit Katyal: Madam the variations only happen when you start a project, whatever site establishment is incurred then the percentage of write off is lower. The policy of the company which is finalized by the Board and the Audit Committee along with stat auditors is that all amortization will happen by the time 85% of the contract value is achieved. Going 200% would not be very conservative and therefore we are continuing with this 85%. However when you look at the overall year, that Rs. 82-83 crores guidance which we had given will remain. So it may be higher in a particular quarter where more projects are coming to the verge of completion like

you saw in Q2, and it will be lower in those quarters where new projects start and fresh expenditure has been incurred on the new projects.

Bharti Sawant: So Rs. 82-83 crores inclusive of the depreciation charge, for FY 19?

Rohit Katyal: That's right. So the depreciation charge is stabilized, the depreciation policy has been explained to everyone, that is standard that Rs. 7-8 crores will continue per quarter.

Bharti Sawant: Got it, and secondly given that our order backlog is now at Rs. 7500 odd crores and we have said that all the projects except for one has already as in we have already mobilized and we have already started construction work. So incrementally should we see accelerated execution in the forthcoming years?

Rohit Katyal: Madam, the full year guidance was Rs. 1700 crores, we are...

Bharti Sawant: Not for '19, I'm talking more from '20-21 perspective given the significant increase in the order backlog.

Rohit Katyal: We see a good momentum pickup in the execution and we are more than confident of crossing the Rs. 1700 crores guideline given this year. Given the momentum of the order buildup and the quality of the client in the top 10-12 clients which constitute for nearly 76-77% of the order book, we do believe that the momentum will continue.

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

Anupam Gupta: Sir just want to understand so Q3 was impacted by NBFC even for us, how have things panned out now so now that there is again talk of DHFL and a few other NBFCs being in trouble? Is Q4 also seeing issues or has that issue completely gone away?

Rohit Katyal: That issue will not completely go away but from Capacit'e perspective we don't have any project where the client has taken finance from DHFL, whatever there were we suspended one project in November itself. As I told you Rs. 35 crores is the turnover hit because of the NBFC issue which we have already taken in Q3 of the current financial year. There will be no further turnover hit and we will not execute any project where we are not overtly confident about the financial tie up of the client.

Anupam Gupta: Okay, and apart from the client did we also see issues in funding for our CAPEX or anything of like that?

Rohit Katyal: Q3 was an issue for the whole of India, so we're no different. So therefore the entire CAPEX of Rs. 48 crores what we did was from our books and we look forward to getting the funds back partially in this quarter.

Anupam Gupta: Okay, so CAPEX was done on cash?



- Rohit Katyal:** Yes.
- Anupam Gupta:** Okay I understand that. Secondly, what is the status on the MHADA order? How was the order booking progressing there?
- Rohit Katyal:** So we start the work in March at the ground level, designing is in the advanced stages for the phase I of transit camps and the team is in place, all the consultants are on board and we will be issuing our guarantee for advance payments; we means the SPV will be issuing the guarantee for advance payment within the next week. So we do see revenues happening substantially next financial year, as we had given the guidance earlier.
- Moderator:** Thank you. The next question is from the line of Jiten Rushi from BOB Capital Markets Ltd. Please go ahead.
- Jiten Rushi:** Sir, I want to understand any slow-moving order in our order backlog for example, Radius. We have heard that Radius is not making payments on time. So sir I wanted to understand any slow moving order in the order backlog?
- Rohit Katyal:** There is no slow-moving order, I said PepsiCo factory of Wadwa is under designing stage. So we expect the construction to start in Q1 next financial year. Apart from that we said, that one client without taking name, we suspended the project in November itself because of the NBFC issue. We have received payments from the client but we would like to have absolute clarity on the way forward before we restart the project. For the current quarter we have only planned sales from the client who fall under top-10 bracket and who have no issues whether the ILFS or for that matter DHFL, just what was mentioned a short time ago.
- Jiten Rushi:** Last quarter we had received some order from Radius, so it is still intact in our order backlog?
- Rohit Katyal:** Suspended as on November.
- Jiten Rushi:** Okay got it and can you give me the retention money total as on December?
- Rohit Katyal:** Rs. 130 crores retention as on 31st December.
- Jiten Rushi:** Okay, thanks a lot sir.
- Moderator:** Thank you. The next question is from the line of Jatin Naik from ICICI Mutual Funds. Please go ahead.
- Jatin Naik:** Sir, out of your approximately Rs. 600 crores of gross block what is the peak turnover you can achieve?
- Rohit Katyal:** Gross block whatever; we are always giving the asset turnover ratio on the net block of the core assets. The net of the core assets is about Rs. 360 crores and we are.... The current run rate has improved to 4.4 and we expect that to improve further over the next 4-5 quarters.

Jatin Naik: Okay, and sir my next question was what sort of opportunity do you see from data center orders which you got from BSNL? What is the small order now? But are you seeing more enquiries on that front?

Rohit Katyal: So you have clients like Amazon, Airtel who are coming up, BSNL, BSNL our data center order is for defense, alright. So the point is that you see a huge opportunity coming up in this but we cannot point out the quantum at this moment in time because this depends on the CAPEX plans of corporate and multinational clients, number one. Number two, our order is Rs. 335 crores so it is substantial and it is an entry strategy for us because once we have done a Rs. 335 crores simple order for data centers it will put us in a good lead as far as government projects or data centers are concerned.

Jatin Naik: Okay, and this order is spread across multiple locations, right?

Rohit Katyal: That is right, with a completion period of 9-18 months.

Jatin Naik: Okay, sir my next question is, is there any receivables currently from Lodha group?

Rohit Katyal: Lodha order book is about 2%, not even 2% of maybe 1% of the overall order book and not even 2% would be the receivables but we wish to clarify that we have been receiving monthly payments from Lodha.

Moderator: Thank you. The next question is from the line of Rohit Balakrishnan from Vriddhi Capital. Please go ahead.

Rohit Balakrishnan: Sir I think, you mentioned in...to the answer to one of the questions earlier in the call that there would be an increase in your government sector mix in your overall order book excluding the MHADA order. So in that context I just want to understand would the margins going forward, I'm not talking about this year or the next, but I'm talking slightly longer-term, would the margin mix that you have sort of alluded to earlier, would that be compromised or would that be lower? Because government projects could be lower in the margins, if my understanding is correct.

Rohit Katyal: You are right, but as explained earlier we have no need to go and just pick up a government project. Our order book from the private sector and our presence in the private sector is quite strong or substantially strong. So if the margin profile matches our internal guidelines only then a government project will be taken. If you look at both the projects what we have taken data center and the research and development for ICT match the margin profile of the private sector if not a little bit better.

Moderator: Thank you. The next question is from the line of Surbhi Bomb from Ambit Capital. Please go ahead.

Surbhi Bomb: Most of my questions have been answered. I just wanted debtor days as of now what are they

- Rohit Katyal:** I have mentioned in the presentation, the total debtor days is 124.89 which includes retention.
- Surbhi Bomb:** Right sir and sir...
- Rohit Katyal:** Excluding retention it is 98.58. And the improvement over as on 31st March 2018 against 124 it was 151 days and against 98 it was 120 days.
- Moderator:** Thank you. The next question is from the line of Sreenath V from Bellwether Capital Pvt. Ltd. Please go ahead.
- Sreenath V:** Sir I just wanted to understand our off-balance-sheet risks. So how much BGs outstanding do we have? What kind of collaterals we have given? And how much is unutilized BG limits? If you could just take us through the BG position, that will be helpful.
- Rohit Katyal:** Total BG issued is Rs.500 crores and contingent liability to that extent has been provided, total LC-letter of credit is Rs. 160 or 170 crores but that liability in the creditor side is already appearing on the face of the balance sheet. Apart from this there is no contingent liability.
- Sreenath V:** And what would be our unutilized BG limit sir?
- Rohit Katyal:** About Rs. 200 crores.
- Sreenath V:** Okay, so total would be a Rs. 700 crore limit out of that 500 is being used and 200 is unused.
- Rohit Katyal:** So your question was what was the contingent liability? Contingent liability is what is utilized.
- Sreenath V:** Okay, and since we have retention money, so could you help me understand how this works? Because if we were giving BG shouldn't there be no retention money in the contract? How does the BG system work on the retention side sir?
- Rohit Katyal:** As explained during my earlier conference calls, earlier we did not have sufficient BG limits. So the retention got accumulated but if you see over the last one year the retention level has been maintained at the same level because now we are issuing bank guarantees and there is no retention being deducted. So let's take a case, if you have executed Rs. 1200 crores of work in the current financial year for the first 9-months, ideally the retention should have gone up by Rs. 60 crores, that has not gone up or maybe the early retention has comeback because you have been able to issue guarantees. Going further we will be issuing further guarantees to bring this level down.
- Sreenath V:** Okay, and at the peak of a project cycle what would be the BGs outstanding as a percentage of the order value?
- Rohit Katyal:** It differs from project to project very dynamic. So if it is an Oberoi it could be 7.5%, if it is a Wadwa it could be 0%, because it depends on how the contract is negotiated. In a government though could be approximately 15%.

- Moderator:** Thank you. The next question is from the line of Suraj Navandhar from Prithvi Finmart. Please go ahead.
- Suraj Navandhar:** Sir we have from different builders that they are not getting permission for new projects in Mumbai because of the garbage dumping problem. So first of all, is it true? And second of all, if it is true how it will affect us?
- Rohit Katyal:** The dumping ground issue was resolved last quarter under the order of the Supreme Court.
- Suraj Navandhar:** So it is no longer a problem for?
- Rohit Katyal:** Till the time another stay from the court comes, no problem for the moment but it will be for new projects. Our projections are on the basis of the existing order book, number one. Number two, as I told you the dumping ground issue has been cleared and the 5-year plan has been issued by the government of Maharashtra and all the other State governments to the honor of the Supreme Court.
- Moderator:** Thank you. The next question is from the line of Devansh Nigotia from Securities Investment Management Pvt. Ltd. Please go ahead.
- Devansh Nigotia:** Sir my question was relating to the execution risk that we face from the side of our customer. So the one that you have spoken already it was regarding one customer which had its bank liabilities from DHFL. So that was the only one that got suspended or there were others as well? Since you just said that if you don't receive payments for two months you don't execute further projects. So if you can just you know, elaborate on this?
- Rohit Katyal:** So what I mentioned was there was one project which we understood that funding from DHFL which we suspended. The project did not get suspended on its own we suspended the further execution till the time clarity is received. Like this we have suspended projects in the past also and restarted once our cost compensation and a revised pricing is received. Going forward we will not hesitate because we do not know what further will come up and these are nothing internal to the company, these are all external factors. If some other external factor comes up we will renew it and take steps in the interest of the company which means that if we are not paid obviously we will suspend the project and we have the RERA the protect us.
- Devansh Nigotia:** Okay, and sir one thing that I'm still not able to understand was that that we don't execute further when we don't receive payments for two months but then our debtor days was around 90 days. So I'm just not able to reconcile it I mean, how is that?
- Rohit Katyal:** If you have a work done in a contracting company, any contracting company, if you do work in December the billing is done in January. The bill is certified by the end of January and then there are 60 days you get. So basically that 60 days looks like 90 days.



- Devansh Nigotia:** Okay, and regarding the CAPEX that we said that you know, Rs. 75 crores, so can you just give a breakup I mean, what are those equipments relating to I mean, if you can just...
- Rohit Katyal:** So it is divided into two parts plant and machinery which includes tower cranes and the other part is form work.
- Devansh Nigotia:** How much would be with form work?
- Rohit Katyal:** Rs. 14 crores Plant and Machinery and the remaining would be form work.
- Devansh Nigotia:** Okay, so this is the CAPEX that we do every year, given the order book remains the same?
- Rohit Katyal:** No, no the CAPEX is directly proportional to the order intake. For example, if you have already done a CAPEX on an Oberoi order, why would we do it again next year?
- Devansh Nigotia:** Okay.
- Rohit Katyal:** What you should see is the asset turnaround ratio which has gone up from 2 to 4.4 over the last 5 years, that means we are re-utilizing the assets.
- Devansh Nigotia:** And sir can you come again with the collection number and how it got impacted during the liquidity crisis?
- Rohit Katyal:** We have already mentioned the numbers in the presentation, it is Rs. 1,279 crores for the first 9-months. I also repeated that it could have been much higher had the NBFC liquidity crisis not hit us, hit the industry.
- Devansh Nigotia:** Sir roughly what would be the impact like, if this would not have taken place?
- Rohit Katyal:** May be Rs. 50-60 crores.
- Devansh Nigotia:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Kunal Bhandari from HDFC Securities. Please go ahead.
- Kunal Bhandari:** Sir just missed a couple of numbers. For form work and site establishment how much of CAPEX would have been done during the quarter?
- Rohit Katyal:** Site establishment is about Rs. 24 crores from net deficit if I am right and for out of the total CAPEX done of Rs. 50 crores for the first 9-months, Rs. 14 cores is P&M, remainder is form work, with nearly 75% of the form work being aluminum foam work.

- Kunal Bhandari:** And how much of ... the remaining you said close to Rs. 75 crores CAPEX budget for FY 19. This includes the Rs. 55 crores and so almost Rs. 20 crores in the last quarter, how much would be for form work?
- Rohit Katyal:** So the form work which is remained to be received is for OGC i.e. Oberoi Garden City, that could be Rs. 15 crores and Rs.5 crores would be remainder.
- Kunal Bhandari:** Okay, sure sir, and just one last question, sir is the Tata orders now over, the cancer hospital order?
- Rohit Katyal:** It is under handover.
- Kunal Bhandari:** Okay so it is under the handover stage?
- Rohit Katyal:** Yes. So we are completing technical execution.
- Kunal Bhandari:** Okay so the execution is completed, just you are handing it over.
- Rohit Katyal:** So execution is completed, some partial billings will be balance, that billing will be done and we should be out of that project say by March end.
- Kunal Bhandari:** By March end?
- Rohit Katyal:** And that would mean you would have constructed one of the fastest hospital in the country.
- Kunal Bhandari:** Yes sir, and sir just if you can clarify what kind of segment would the public sector order of Rs. 446 crores that you have L1, like what segment even if you cannot the client name?
- Rohit Katyal:** Hospital, health care.
- Kunal Bhandari:** Sure, thank you so much.
- Moderator:** Thank you. The next question is from the line of Kiran Kandel from First Global. Please go ahead.
- Kiran Kandel:** Sir my simple question is, was there any impact of the liquidity crisis in Q3, and how we are looking for Q4?
- Rohit Katyal:** Sorry to you please repeat the question?
- Kiran Kandel:** Yes, my question is there was an NBFC crisis, so NBFC crisis was in September so was there any impact apart from this project, the one that we had suspended of DHFL, apart from any other project it is impacting, these issues? And how we are looking at this NBFC issue for Q4 FY 19?

Rohit Katyal: So the issue doesn't get resolved in a couple of months, until and unless there is a foolproof plan which comes out from the end of RBI which at least we have not seen. As I also mentioned that our collections would have been better by Rs. 50-60 crores had been NBFC issue not happen. November saw a bottom out we saw a very good recovery in December and we believe that the momentum of good recovery will continue in the current quarter. But we do not want to have more surprises coming out like the ILFS one in Q4. So far we are focused and we do believe that the collection will be quite robust in Q4 of the current financial year.

Kiran Kandel: Sir one more quick question. Just like EBITDA margin is something like we have discussed broadly, the guidance is 16.3 to 16.7 so we have to stick with this guidance?

Rohit Katyal: Yes, we are there in the guidance level only. 15.7 to 16.3 is the guidance, including other incomes because we cannot compare different levels. We will be at the same level because other income nothing but the interest which we have paid.

Moderator: Thank you. Ladies and gentlemen due to time constrain that was our last question, I now hand the conference over to Mr. Rohit Katyal for his closing comments.

Rohit Katyal: Thank you everyone and we look forward to having you all with us during the next conference call for the full year ending FY 19. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Capacit'e Infraprojects Limited that concludes today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.

