CAPACIT'E
INFRAPROJECTS LIMITED

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Date: August 19, 2021

To,

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

Dear Sir/ Madam,

<u>Sub: Transcript of the Analyst/ Investor Conference Call held on August 11, 2021</u>

Dear Sir

We refer to our letter dated August 07, 2021 regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company during Q1 FY22 which was scheduled on Wednesday, August 11, 2021 at 11:00 a.m. (IST).

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

This is for your information and records.

Thanking you,

Yours faithfully,
For Capacit'e Infraprojects Limited

CAPACIT'E INFRAPROJECTS LIMITED

Varsha Malkani
Company Secretary & Compliance Officer

Encl: a/a

“Capacit’e Infraprojects Limited
Q1 FY2022 Earnings Conference Call”

August 11, 2021

Disclaimer:

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ANALYST:	**MR. ALOK DEORA – MOTILAL OSWAL FINANCIAL SERVICES**
MANAGEMENT:	**MR. ROHIT KATYAL - EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER – CAPACIT’E INFRAPROJECTS** **MR. ALOK MEHROTRA - PRESIDENT CORPORATE FINANCE - CAPACIT’E INFRAPROJECTS** **MR. NISHIT PUJARY - HEAD OF ACCOUNTS - CAPACIT’E INFRAPROJECTS**

Moderator: Ladies and gentlemen and a very warm welcome to the Capacit'e Infraprojects Limited Q1 FY2022 Earnings Conference Call hosted by Motilal Oswal Financial Services Limited. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all 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, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Alok Deora from Motilal Oswal Financial Services. Thank you and over to you Sir!

Alok Deora: Thank you. Good morning everyone and welcome to Q1 FY2022 Earnings Conference Call of Capacit'e Infraprojects. Today we have with us from the management, Mr. Rohit Katyal - Executive Director & Chief Financial Officer, Mr. Alok Mehrotra – President, Corporate Finance and Mr. Nishit Pujary - Head of Accounts.

We will start the call with opening earmarks from the management followed by Q&A session. I now hand over the call to the management for the opening remarks. Thank you and over to you Sir!

Rohit Katyal: Good morning everyone. A very warm welcome to our Q1 FY2022 earnings conference call. I hope you and all your dear ones are safe and healthy.

Along with me I have, Mr. Alok Mehrotra, Mr. Nishith Pujary, and SGA our Investor Relations Team. I hope everyone has had an opportunity to look at our results. The presentation and press release have been uploaded on the stock exchanges and our company's website.

Before I take you all through the operational and financial performance, I would like to highlight a few points. The sentiments among real estate have remained optimistic as realtors manage to cope better with the second wave of COVID 19 pandemic. With relatively less stringent lockdown restrictions and learning from the last year we have been able to better weather the situation. The availability of vaccines and aggressive vaccination drive has further helped the optimistic outlook for the sector.

The real estate sector is treading cautiously and acknowledges that there is latent demand for both office and residential, a bit hindered by the prolonged pandemic. The future of the housing sector remains bullish in view of the optimistic GDP, record high FDI of foreign reserves, reviving core sector indicators, credit availability to the branded developers, growing employment rate coupled with an attractive investment plan resulting in a positive developer future sentiment score.

On the public sector side the industry is also doing its bit by spending health infrastructure to support the health infra of the country and by initiating vaccination drives to over 2 Crores construction workers. In Q1 FY2022 due to lockdown restriction and labor mismatch issues, our pace of recovery was hindered resulting to lower than expected execution across all the sites; however, the situation gradually improved from June onwards and thus the issues gradually reduced.

As of today, we are close to 10,400 labor strength across all sites which is all time high. Due to second wave our revenue was impacted by almost 100 Crores. Our execution on our last CIDCO project was severely impacted leading to less than expected recovery. On the private sector side the situation was grim but gradually due to ease in restrictions we ramped up the execution quickly.

In Q2 FY 2022 we move forward with optimism and keeping in mind the preparedness for the probable threat of third wave. The entire staff of the company has been vaccinated and as such we hope for a V-shaped recovery starting Q2 onwards.

Furthermore, our focus was revival and growth of the following aspects: Focus on increasing the pace of execution across all our projects, efficiently managing our working capital cycle and stringent cost control measures.

Now allow me to give you an overview of our operational performances during the quarter. The total order booked excluding MHADA stood at Rs 8,871 Crores as of 30th June 2021. Our order booked from the public sector at the end of June 30th 2021 stood at Rs 5,372 Crores with 61% of the overall order book while the private sector stood at Rs 3,498 with a 39% of the total order book. Work is going on at good pace across all project sites of the company.

In Q1 FY2022 the company witnessed cash collection amounting to Rs 270 Crores indicating reasonably strong collection efficiency. We expect momentum to improve substantially from Q2 onwards. Our continuous focus on client quality and cash flow monitoring has certainly strengthened our business model especially in these challenging times.

Our standalone financial performance for Q1 FY2022 is as follows. The total income for Q1 FY2022 stood at Rs 282.4 Crores as compared to Rs 369 Crores in Q4 FY2021 as against Rs 23.7 Crores in the same period last year. EBITDA for Q1 FY2022 stood at Rs 41.8 Crores as compared to EBITDA of Rs 78.5 Crores in Q4 FY2021 down by 46.7% QoQ. EBITDA margins on Q1 FY2022 was around at 14.8%. Margins have remained stable due to adaption of cost rationalization measures and reduction in finance costs.

PAT for Q1 FY2022 was at Rs 4.3 Crores. Cash PAT for the same period was at 25.5 Crores. Our net debt remained stable at Rs 130.5 Crores as compared to Rs 129.7 Crores in Q4 FY2021 with net debt to equity ratio at the end of June 30th 2021 being at 0.14x. With this now I now leave the floor open for questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Moin Danawala from Tata Opportunities Fund. Please go ahead.

Moin Danawala: Thank you. Congratulations on a good recovery. My question is primarily around the large area of executed book, which is your expectation around execution coming from the BDD projects. Can you elaborate on how you expect this execution to be and how much of your revenue over the next three years is expected to come from this project?

Rohit Katyal: The BDD the execution has already started a couple of weeks ago. We see this government push we believe that the total revenues which will be recognized in the current financial year at the SPV level will be Rs 300 Crores which will improve to Rs 700 Crores in FY2022 to 2023 followed by Rs 1,000 Crores the year thereafter. The total project on the LSDK basis is Rs 10,000 Crores plus Rs 1,800 Crores which comes from infra development so we are expecting that the total work which would start over the next seven months would be close to Rs 3,600 Crores and therefore this projection which have been just given to you.

Moin Danawala: I understand these numbers which is Rs 300 Crores in FY2022, Rs 700 Crores in FY2023 and Rs 1,000 Crores in FY2024, those are for your portion of contract?

Rohit Katyal: No. The total contract at the SPV level, our portion is 35% share. These are very comfortable numbers which we have informed to you. The government has advised completion of the rehab portion which is of Rs 5,000 Crores over the next three and half years. Our commitment is to complete each building in 36 months within the date of handover. So, if today is zero date within three years that building needs to be handed over lock and key, so from that perspective we believe that the rehab portion, in all, probability should be completed in under four and half years. Therefore, there is clear visibility on the rehab side of approximately Rs 5,000 Crores revenue happening over the next four years. Similarly, the sale portion of the business will also start four months from now. The first location has already been handed over. However, those revenues have not been incorporated at the moment in time. The billing breakup has been approved by the client and therefore the revenue visibility is absolutely clear as far as BDD is concerned. Answering your question this is at consolidate level at the SPV level only. Our share will be 35% of the profits.

Moderator: Thank you. We have the next question from the line of Shantanu Mantri from Think Investments. Please go ahead.

Shantanu Mantri: Good morning Sir. I have two questions firstly now with this slightly weaker first quarter due to the lockdown restriction we just wanted a sense that going ahead, as you were indicating that going ahead next nine months we should really bounce back in terms of execution, so just wanted your sense that say for FY2022 you think in the nine months we will be able to come back to that Rs 2,000 Crores revenue levels for full year, is that possible?

Rohit Katyal: The target when we started was Rs 2,000 Crores. No one was aware that the impact of second wave would happen and to this extent what is lost is lost. However, the company has drawn now, revised execution schedule. With a V shaped recovery in Q2 and we expect a very strong Q3 and Q4. Now we are not accounting for the impact which may happen due to the third wave, fourth wave or whatever we may call that; however, since the entire staff has been vaccinated therefore the risk of the staff going down due to COVID, which was severely the case in second wave. Nearly 250 members of our staff were infected and down, luckily, they are all healthy now, but we do not know what exactly the impact would happen, how the workforce would react. The workforce reacted little bit more maturely in the second wave as opposed to the first wave and from that experience we believe that they will be much better prepared or more mature when the third wave as and when it happens and if it all it happens, hopefully it does not happen, so from that perspective our execution for the remaining nine quarters we have drawn down at a minimum level of Rs 1,500 Crores. We will put all efforts to improve upon that and we will keep all our investors upraised from time to time on it, Rs 1,500 Crores excluding Q1.

Shantanu Mantri: Got it, got it for the next nine months and the margins would be in the range of 15% right?

Rohit Katyal: The EBITDA margins will be 17.5% which was there. In the Q1, the only impact has been the indirect cost. If you see our material cost are approximately 43%, 44% and therefore the other cost which are basically the fixed cost could not be distributed over the additional 100 Crores of revenue which we would have achieved like we did in Q4 of last fiscal otherwise the EBITDA level would have been at the same level of little bit better because the finance cost have gone down the PAT would have been slightly better and we expect that same levels to continue going forward.

Shantanu Mantri: Sir my second question is little broader. I mean what really worries me, say if we take FY2019 we have done a turnover of Rs 1,800 Crores but still if we look at our PAT was around Rs 97 Crores but if we look at our cash flows probably FY2019 was one of our best years and if we look at free cash to equity we have done negative free cash of Rs 175 Crores. Even if I look at our last 6 years, 7 years we have been not able to generate free cash for equity and one of the main reasons is working capital and also we have been spending heavily on capital expenditure. So what my question is that going ahead as we are looking to better our working capital say FY2023 once we cross that Rs 2,000 odd Crores revenue mark, so according to you in your estimation what would be the free cash generation that we can generate once we achieve that Rs 2,000 odd Crores revenue mark? Because this free cash generation once the company proves I feel will be the true re-rating factor going ahead. Thank you.

Rohit Katyal: See you have to first see that the cash flow from operations have been positive since the inception what you see is that there has been core asset investment over the last eight years of close to Rs 700 Crores on the core gross block. Net block it is visible to you at Rs 424 Crores for the gross block at Rs 700 Crores because what Capacit'e Infraprojects Ltd. has achieved in last seven years companies which you compare have achieved in last 30 years, so therefore it was imperative for the company if it had to grow it had to do that capex. Last quarter also I mentioned that except for CIDCO capex close to Rs 75 Crores and Piramal Central Tower which is about Rs 14 Crores all other capex has been incurred for the existing order book of the company and therefore capex levels will fall. Capex level falling will turn the company cash flow positive. It is not question of Rs 2,000 Cores revenue that can happen at Rs 600 Crores revenue also but obviously Rs 2,000 Cores revenue, your cash PAT assuming at 9% will be reflected in your cash flow at Rs 180 Crores and if your capex out of that or repayment is close to Rs 90 Crores you will be still positive of about Rs 90 to 100 Crores. Now this could improve depending on various factors like finance cost. At the moment, we are going through a low interest regime and hopefully if that continues over the next two years we are sure to see this position, so therefore the matter of rerating which you just mentioned. Any company which has to reach a level of Rs 12,000 Crores or Rs 13,000 Crores of order book executing mega project in a period of eight or nine years of its inception has to undergo this capex cycle and this was absolutely planned and everyone is aware of this. Have we not done this capex the question of we executing such an order book would not have risen and therefore you would not been asking me this question, so this is my submission to you.

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

Deepak Poddar: Just wanted to understand, you just mentioned like EBITDA margins 17.5%. So, you are talking about nine months or full year?

Rohit Katyal: I am talking about nine months so you will have to basically take an averaging. Our revised target for nine months is Rs 1,500 Crores and if you add 283 Crores to that so your EBITDA still would come to 16.75% to 17%.

Deepak Poddar: And this includes other income?

Rohit Katyal: Absolutely.

Moderator: Thank you. We have the next question from the line of Sitaraman from Spark Capital. Please go ahead.

Sitaraman: My first question is can you give a sense of the bid pipeline that is ahead?

Rohit Katyal: The bid pipeline continues to be very strong. Now the private sector has also started participating. We foresee serious good repeat orders from our existing clients. Having said that the order book has already got strengthened by the start of BDD project and it is extremely important for the company to focus on the execution and ensure that we are at full blog at for the execution site at all the projects. Having said that with BDD starting the official order book has now gone to nearly Rs 13,000 Crores and therefore this gives us serious opportunity to pick and choose and we do believe the company will have some orders in Q3 and Q4. On the private sector side also, the company sees an opportunity. Overall, as I mentioned last time during the investor conference call the bid pipeline for Capacit'e Infra stands at Rs 46,000 Crores and that continues to be in that range itself. Now as the order book is very strong, the pick and choose comfort which the company derives will continue and therefore the Rs 2,000 Crores plus order book intake stands at the moment in time of which about Rs 450 Crores has already been achieved.

Sitaraman: On the second question can you give an idea about the working capital situation currently, the various receivables, unbilled revenues, inventory work in progress, unbilled portions of all those things?

Rohit Katyal: The total debtors other than uncertified debtors stand at Rs 342.14 Crores. This is down from Rs 412.9 Crores which stood at the end of Q1 2021 where the revenue was hardly anything because it was a washout quarter then. So, if you see that in spite of growth in revenue the debtor level has fallen at a net level to Rs 342.14 Crores as against Rs 412.9 Crores a year back and Rs 366.2 Crores in Q4. The total financial contract assets are at the same level as Q4 2021 at Rs 540 Crores or thereabouts. This will improve substantially and get into sales starting Q3 and Q4, so you should see a reduction of approximately Rs 100

Crores in that. The inventory level remains stable at Rs 100 Crores over the last two years so there is no change in that. Most importantly, the creditor level at increased revenues has fallen to Rs 304 Crores from Rs 420 Crores in FY2019-2020. I am talking about unsecured creditors. The total creditors in FY2019-2020 was Rs 623 Crores which has fallen now to Rs 449 Crores. So, if you look at the total thing that one the contract asset reduction of Rs 100 Crores happen you should be at the pre-COVID working capital level which at net levels were about 76 days excluding retention money. So at the moment it is standing 117 days. So, as I told you the correction of Rs 100 Crores in working capital will lead you to that pre-COVID level and obviously by March end, we had projected in the last investor conference that this should happen by Q4 because of current financial year; however, now this will take one more quarter and we will be at pre-ILFS level by Q1 of next financial year.

Moderator: Thank you. We have the next question from the line of Mohit from DAM Capital. Please go ahead.

Mohit: Thanks for the opportunity Sir and congratulations on a decent set of numbers in a very challenging environment. My question on the CIDCO project and MHADA project going forward of course I want to know what was the run rate for the last quarter for CIDCO especially and how do you see the run rate going forward for CIDCO and for MHADA project if you can throw some light and how the revenues I think this a JV so this continued only through the powers of associate, is the understanding right?

Rohit Katyal: If I have understood you question correctly you would like to know the run rate of CIDCO and MHADA project am I right?

Mohit: **C**IDCO right now, because MHADA I do not think it has started right as of now. For MHADA going forward, if possible?

Rohit Katyal: The CIDCO project in Q1 the total sales gross was Rs 45.99 Crores. As we said that there was serious reduction in labor availability across the project sites, adjusting for the decrease of Rs 8.14 Crores the net sales stood at Rs 37.85 Crores. In Q2, we believe that the total sales will be at approximately Rs 85 Crores to 100 Crores; however, we can provide you a detail. Our team will mail those details to you if you can provide your email to them. Second point is that from Q3 CIDCO project will be back to the Rs 40 Crores per month levels and from Q4 it will be at Rs 70 Crores level. That estimate does not change, it has only got delayed by one quarter. MHADA project has already started and therefore the total sales for MHADA at the SPV level, which is an integrated joint venture with Tata Projects Limited for the current financial year will be at Rs 300 Crores, for FY2022 and 2023 will be at Rs 700 Crores and the year thereafter will be at Rs 1000 Crores of which 35% will belong to Capacit'e Infra Projects Limited.

Mohit: There is no hurdle as far as MHADA work is concerned anymore now am I right or you can work on some part and there is some issue with some part**?**

Rohit Katyal: You are talking about the hurdles, so hurdles, one of the reasons why the project got delayed. The government resolution in December increased the height of building from 22 stories to 40 stories. The IOD of CC which has been received for rehab towers. The work for two rehab towers has already started which should be working on six towers within 60 days and we should be working on 10 towers within 90 days and therefore we do not foresee any hurdle as far as permissions from the client or execution is concerned. Now if there is another third wave or fourth wave or allied issues that cannot be projected in this moment in time. However, we are confident that the third wave will not impact the construction industry like it has impacted in wave 2 and therefore we are quite optimistic of the revenue figures.

Mohit: Will the EBITDA margin of the MHADA project is similar to our standalone numbers or do you think it will be different?

Rohit Katyal: It will be slightly better because it is a design build project.

Moderator: Thank you. We have the next question from the line of VP Rajesh from Banyan Capital. Please go ahead.

VP Rajesh: On the debt side**,** given the change in the revenue guidance this year, does that also changes from what you have indicated in the last concall?

Rohit Katyal: That does not change but as I indicated last time also there could be an increase of Rs 30 Crores or Rs 40 Crores or reduction of Rs 10 Crores but on the whole year level that will remain largely unchanged. You may see some reduction on that side. Going forward again our projections of going gross debt free in FY2023, that is only extended by one quarter at this moment of time.

VP Rajesh: My second question is on revenue guidance, since we are reducing the guidance by Rs 220 Crores of revenue and from the slide in your deck, it seems like we lost only Rs 89 Crores of revenues in this quarter which you have sort of circled as a lockdown impact. So, there is some delay in around 120 Crores of revenue is that the right way to look at it if I am missing something?

Rohit Katyal: You see the momentum continued from Q4 of last financial year we would have been at Rs 450 Crores plus. It is only an estimate that number of people reduction and therefore the loss of revenue of Rs 100 Crores that is an indicative figure but if you take a normal situation when the momentum has peaked to Rs 380 Crores in Q4 as of last financial year it is obvious that we would have done better Q-o-Q as the second wave not impacted. So, from that level we would have done Rs 450, 460 Crores very easy in Q1 of current financial year against which we have done Rs 280 Crores, therefore the impact can be concluded at Rs 140 Crores, Rs 130 Crores, Rs 100 Crores that is only an estimate which has been put. On the whole year, we are saying that if you leave Q1 then targeting our revenue of Rs 1,500 Crores, it is important to know that we are already at 10,500 workmen across all the project sites and this momentum continues which means that you will see a V-shaped recovery in revenue in Q2 to some extent and to a very large extent in Q3 and Q4. Therefore the guideline of Rs 1,500 Crores at least revenue from the remainder nine months. Now whether that translates into Rs 200 Crores reduction over the full year that is only an indicative figure, if the company picks up pace at MHADA also that would add and could reach that magical figure because when we gave the positions last time MHADA was not included it. So, at the moment, also the revenue projections which are given excludes MHADA. Any positive there because the work has already started will help the company achieve the original target.

VP Rajesh: Got it, but MHADA revenues will be coming not one the topline right it will be a one line at the bottom on the profitability is my understanding correct?

Rohit Katyal: On the profitability for sure but since it is a company. It is an LLP and not AOP. The auditors are checking up and we hope that they will find some way out where our partners Tata Projects will recognize 65% and we will recognize 35%, so we are on that job. It would be in the interest of Capacit'e that it is able to recognize the 35%

Moderator: Thank you. We have the next question from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.

Parvez Akhtar Qazi: Sir two questions from side first on the MHADA order, I mean you obviously said that work on rehab towers had started. We will start work on six towers in 60 days, 10 towers in 90 days. There is some infrastructure work also. I mean just wanted to get some sense if it will be possible to break this overall whatever Rs 12,000 Crores project do you have any idea on how much quantum of project can start in how much timeline?

Rohit Katyal: You could just note it down. The project value is 11,744 Crores excluding escalation and GST. So 11,744 Crores, 15% is the provisional sum for infra work. Infra works is defined in this project as any work done outside the periphery of the building. So, any roads, electricals, water supply, shipping, transit, all that is housed in the Rs 1,800 Crores. So that leaves the LFTK work at Rs 10,000 Crores. Of this Rs 5,300 Crores is the rehab portion and Rs 4,700 Crores is the sale building component which includes one commercial tower. Of this Rs 5,300 Crores of rehab building we have to construct as per the new design and drawings which have been approved, 33 towers of 40-storey each without any basement and the podium parking which will house 250 tenements in each tower. As I have told you that we have started work on two rehab building of 40-storey. The total work at the end of 60 days we would have started work on six towers and at the end of 90 days we would have started work on 10 towers. 10 towers would mean 2500 tenements. One building approximately sale portion would be close to 150 Crores so 10 buildings would mean that we would have started on Rs 1,500 Crores of rehab towers. Infra work cannot be projected maybe we would work on Rs 50 Crores or Rs 100 Crores or whatever is it. So that is not being included in the projections which we are giving to you. The sales side the IODCC should come within a week's time; however, that entails because these are 80 storey towers that entails wind tunnel test which would take three months, so four months from zero date that is from next week four months you would start work on the sale component. The plot is already vacant and it can be started as soon as the permissions for wind tunnel tests are received. Point number three is that five months from now you would start the commercial towers of 60 storey approximately on the PWD land, Savli plot to be specific, and that means that in the current financial year including the sale component of two towers and the commercial building of 60 storey you would have started work on another Rs 2,500 Crores of building, therefore 1,500 plus 2500 is close to Rs 4000 Crores since the winning breakup so that is what can be foreseen as I speak to you today. Out of this Rs 4,000 Crores work which will start, the winning breakup since it has been approved now for all the three contractors Tata Capacit'e JV, L&T & Shapoorji. We foresee that billing of Rs 300 Crores is easily doable in the current financial year, Rs 700 Crores next year on conservative side and at least Rs 1,000 Crores thereafter. This is how the project is broken up and therefore it can be explained very well now.

Parvez Akhtar Qazi: Thank you and the second question what is the kind of capex that we did in Q1 and what your plans are for the full year.

Rohit Katyal: Capex in Q1 was 10 Crores for CIDCO, the aluminium framework has been received and for the full year CIDCO projection continues to be at Rs 75 Crores. There may be some spillover for the next year or maybe it would go to Rs 80 Crores but that continues there is no change in that.

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

Parikshit Kandpal: Also we are seeing that the tier 1 developers have been gaining market share over the last 1 year and COVID has been a blessing in disguise for them and that tier two of the developers have been suffering and consciously we have also moved our order book into tier 1 but again there is shortage of high quality contractors who can do complex jobs like high rise, preferred high rise, so for you as a company are you seeing that you are now having a better bargaining power in the market in terms of getting better pricing and better payment term from the private developers?

Rohit Katyal: Most of the clients we work with they do not go for an L1 concept, so it is more of a comfort which a particular client of ours derived from ours or from an L&T or from a Shapoorji or others. So, people like Godrej, we see that because of the repeat order which we have got over the years, but not to forget although from whom we are executing nearly Rs 1,700 Crores or Rs 1,600 Crores of order and the entire order book is fully operational at the moment in time and their future launches where we will have an opportunity. We do believe that a big portion of our orders come from accounts, which I may say, which are more permanent in nature. There are clients who obviously because of increase in steel and cement especially are a bit concerned about the pricing. However, Capacit'e with the current order and especially after MHADA having gone operational we are in no hurry to book an order at any price which lowers our EBITDA on the cost to complete state, so therefore while the bid pipelines look strong our existing clients giving us repeat orders. The company will refrain from getting any new client which has a lower profile financially than what we are currently working for, at the same time bargaining power yes; however, when you have a relationship with the client you do not bargain you sit across the table and close the pricing. We would not call it bargain. We will call it comfort level which we share with out particular clients, number one. Number two, on the government side we see in the orders of Rs 400 Crores and above especially in the geographies we are, the competition which we saw maybe two years back in the NBCC projects, the Central CPWD projects that is not happening at the moment in time, so I really hope that really continues because there are contractors who have been severely impacted by this prolonged pandemic and I do not know how many of them would be able to come back so it gives them more established and financially sound players a better playing field than in past history. So, these are the two positive which I think we believe but bargaining power that is not the right word to put in. We would not like the clients to believe that we are bargaining. We would like to believe that the client to take us a partner on a long term basis, on the private sector side.

Parikshit Kandpal: Second question was that earlier in June we had sold some stake in the company. So, I just wanted to understand from your thought process what was the necessity doing that and the way forward.

Rohit Katyal: Parikshit, you are aware that Rahul and I were professionals like you are today. We continue to be professionals but were also shareholders in Capacit'e Infra. Obviously, as professionals we took loans from family and friends to start the company and it was nearly eight years since the loans were taken. It was important that we repay them. So the loans have been repaid in totality whatever they have had. However, we also utilized substantial part of that to put the money at SBIPLR in the company and repay expensive bank debt and that impact you see in Q1 fall in the interest cost by 4 Crores.

Parikshit Kandpal: What was the quantum of money which was coming through ICD?

Rohit Katyal: Close to 50 Crores.

Parikshit Kandpal: Great to hear that Sir. So this will eventually get repaid when you are targeting by FY2023 end so there will be net cash so by that time you intend to repay the debt to the promoters?

Rohit Katyal: We have not planned the repayment at the moment in time, but we will have more clarity because we have come out of a challenging Q1. We do not anticipate any further hindrances but then promoters or the shareholders of the company and from our perspective, the company's interest is paramount, let the revenue peak then we will plan on how the money has to be taken out.

Parikshit Kandpal: Sir in the current order when do you see the peak revenue on a quarterly basis start hitting and what could be the quantum, so you did mention about Rs 1,500 Crores for the 9 months but say over the next 4,5,6 quarters in the existing order book, which quarter you will start peak revenue?

Rohit Katyal: Q2 projections are at Rs 403 Crores after the month of July being passed. Q3 is Rs 563 Crores and Q4 will be Rs 650 Crores. So, you will start peaking at 650 Crores from Q4 onwards and that momentum should continue in the next financial year excluding MHADA.

Parikshit Kandpal: Once you see this V-shaped kind of a ramp up happening, so on the liquidity side on the bank guarantee, non-fund based limits, fund limits, how are we shoring our balance sheet to cater to this kind of growth over the next few years and are we comfortable on liquidity now. So, because you have taken up a resolution to raise Rs 300 Crores, so is it baked in the assumptions, if you could just give some sense on that?

Rohit Katyal: We know that many companies have raised equity, they have raised debt. For Capacit'e if you see excluding the ICD which the promoters have put, the bank debt is on the fund base side is down by nearly Rs 90 Crores. Now we do not know what there is in store for all of us on this pandemic front, so enabling resolution has been taken, if the company warrants so be it, we will take appropriate call at appropriate time, number one. Number two on the liquidity front we have bank guarantees of Rs 200 Crores nearly which are available to the company for growth and order book to be done in the current financial year, for some retention money to be taken back and therefore we do not see that has a challenge in the current financial year. For next financial year, obviously we will be putting our proposal and whatever bank guarantee limits are required, I am sure our bank led by SBI consortium are very comfortable and they would be extending their guaranteed limits to us.

Parikshit Kandpal: But Sir ramping of your execution to 650 odd Crores by this year end you would not be requiring money, that fund raise extra fund raise also can be achieved?

Rohit Katyal: As I told you there is a lot of caution to the wind, that over the last one and half year we have all gone through. We do not want to be caught unaware and therefore an enabling resolution has been taken. To answering your question that if we are peaking at Rs 650 Crores with a majority chunk coming from CIDCO, JJ Hospital and Bombay Municipal Corporation, we do not see the debt level growing from the current levels. However, as I told you in the last conference call also Rrs 25 Crores to 30 Crores in a quarter increase or decrease should not be read into too much.

Parikshit Kandpal: Sir last question is on you said Rs 100 Crores of recovery you were excepting from the contracted asset by the third or fourth quarter. So, what has been the delay attributable to and how long has been this delay because this summer has not really moved, if you can just some sense behind delays and how confidently you are like why it should get recovered in third or fourth quarter so what gives you that confidence?

Rohit Katyal: See this includes uncertified bills. The uncertified bill is Rs 92 Crores. In quarter one last year it was Rs 156 Crores, FY2020-2021 it was Rs 81 Crores so we are nearly to that level. The only increase is in WIP of government project by Rs 100 Crores and we believe that this WIP will get converted into sale starting quarter two, quarter three, and quarter four and therefore WIP which forms a part of contract assets will reduce to Rs 100 Crores to approximately Rs 325 Crores when this reduces, your working capital gets unlocked and also you see reduction in the networking capital days by nearly 20 to 25 days because it is impacting both, the assets and the liabilities sites.

Moderator: Thank you. We have the next question from the line of Anurag Jain from Green Lantern Capital. Please go ahead.

Anurag Jain: Just wanted you to touch upon the order inflow base so while the pipeline is very strong inflows have been lackluster and may be understandably so in the last few quarters. Has the bidding out activity started putting pace now? How do we see, nine months what are we targeting in terms of inflows, if you can touch on that?

Rohit Katyal: Firstly, the bid pipeline is very strong. In the first quarter nearly Rs 450 Crores of inflows has already happened. In this Rs 450 Crores orders worth 250 Crores are without the value of steel and concrete. So you can imagine what is the value of orders had steel and concrete been added to it. For the full year, we continue to look at order inflows in excess of Rs 2,000 Crores. Even though the official order book is already at Rs 13,000 Crores we do not take that anything more than Rs 2,000 Crores at this moment in time would be right for the company. Obviously, we do have executional capabilities that if some very good opportunities come by we will be there to look at it positively but ending the current financial year with an order backlog of close to Rs 13,000 Crores will be a historical high.

Anurag Jain: In terms of profitability for the new orders booked they would be in line with the company as I say?

Rohit Katyal: Absolutely, therefore you do not see any rush from the capacity to book any new orders we do not need to. Anything which adds negatively on the cumulative EBITDA or cash margins of the project will not be done.

Moderator: Thank you. We have the next question from the line of Samarth Agrawal from Enarr Capital. Please go ahead.

Samarth Agrawal: Please can put some light on your Fintech platform that you have launched and how is it working and what are the projections that you see through that?

Rohit Katyal: The Fintech platform, the first phase has already up and live. We have close to 100 general contractors registered. We have more than 6000 labor contractors registered, and it is basically a labor workforce known as e-FORCE which is being done by our associate company where Capacit'e holds 40 stake known as Captech. We are looking to add Fintech module to that as a second phase which will be done over the next three to four months. The Fintech model will enable trade on the platform where the labor contractor will be assured of immediate and secured payment which would add previous value in our view to platform, OTS, and therefore we see explosive expansion to the general contractor and the developer contractor base over the next two quarters starting October onwards. Because at the moment people are affecting it, the smaller contractors are getting the other labor contractors which was not available, the platform is already being used as far as Orissa, Gujarat, Maharashtra, Uttar Pradesh so we do believe over the next six months lot of passion will take place and once the Fintech model is attached there will be serious value which this platform will add to all its stakeholders and obviously Capacit'e will be a beneficiary of that.

Samarth Agrawal: Thanks a lot. I am also using Fintech platform I am big fan of it. Thanks a lot for your help Sir.

Moderator: Thank you. We have the next question from the line of Vivek an Investor. Please go ahead.

Vivek: Sir just one thing I wanted to understand it. You said that labor there was a shortage in Q1 but when I look at the total intake cost it is more or less same. Is the labor cost implementing the earlier cost, or is it separate?

Rohit Katyal: Labor is done on contractor basis, so it is generally 14%-15% of the sale value and that remains the same. What you see is the staff, obviously we cannot send the staff home and therefore the percentage to sales that has gone up because the staff continues to be with the company, so the cost is only the staff cost and not the contractor.

Vivek: The second question that you just mentioned e-FORCE Fintech platform. Do we have any sort of rough sayings on the revenue from that over the next two years or so?

Rohit Katyal: Sorry I am not handling that company directly. I will tell from our end, if you could share your number he will have a discussion and whatever information you require he will share it with you. We will be better prepared from next quarter to answer such questions. I was not prepared actually.

Vivek: No problem. Thank you.

Moderator: Thank you. We have the next question from the line of Sitaraman from Spark Capital. Please go ahead.

Sitaraman: Thank you. Can you give an idea of total FD position at the end of June 2021 the fund base limit, the non-fund base limits?

Rohit Katyal: The total limits assets are Rs 1,130 Crores out of which the non fund based limits are Rs 940 Crores against Rs 940 Crores our utilization stands at Rs 500 Crores. The total CC fund based is Rs 190 Crores out of which the outstanding stands at Rs 120 Crores so unutilized limits are about Rs 450 Crores.

Sitaraman: The unutilized part is 450 Crores, right.

Rohit Katyal: Yes.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to the management for closing comment. Please go ahead.

Rohit Katyal: 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 our Investor Relations Advisors. Thank you. Stay safe and look forward to catching up in the next quarter.

Moderator: Thank you. Ladies and gentlemen on behalf of Motilal Oswal Financial Services that concludes this conference. Thank you for joining us.