



Ref : CIL/STEX30/Q2FY21  
Date: November 24, 2020

To,

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

Dear Sir/ Madam,

**Sub: Transcript of the Analyst/ Investor Conference Call held on November 12, 2020**

Dear Sir

We refer to our letter dated November 11, 2020 regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company during Q2&H1FY21 which was scheduled on Thursday, November 12, 2020 at 01:30 p.m. (IST).

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

This is for your information and records.

Thanking you,

Yours faithfully,  
For Capacite Infraprojects Limited

**Varsha Malkani**  
Company Secretary & Compliance Officer



Encl: a/a



“Capacite Infraprojects Limited  
Q2 FY2021 Earnings Conference Call”

November 12, 2020



**ANALYST: MR. RACHIT KAMATH - ANAND RATHI SHARE & STOCKBROKERS**

**MANAGEMENT: MR. ROHIT KATYAL – EXECUTIVE DIRECTOR & CFO - CAPACITE INFRAPROJECTS LIMITED**  
**MR. ALOK MEHROTRA - PRESIDENT (CORPORATE FINANCE) - CAPACITE INFRAPROJECTS LIMITED**  
**MR. NISHITH PUJARY - HEAD OF ACCOUNTS - CAPACITE INFRAPROJECTS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Capacite Infraprojects Limited Q2 FY2021 Earnings Conference Call hosted by Anand Rathi Share & Stockbrokers. 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 participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over Mr. Rachit Kamath from Anand Rathi Share & Stockbrokers. Thank you and over to you!

**Rachit Kamath:** Good afternoon to all participants and welcome to the Q2 and H1 earnings conference call of Capacite Infraprojects. We will open with the brief comment from the management and then proceed to Q & A session. Today, from the management we have Mr. Rohit Katyal – Executive Director and Chief Financial Officer, Mr. Alok Mehrotra– President, Corporate Finance and Mr. Nishith Pujary - Head Accounts. Without any further delay, I would now hand over the call to the management. Thank you and over to you Rohit!

**Rohit Katyal:** Good afternoon everyone. A very warm welcome to our Q2 FY2021 earnings conference call. Along with me, I have Mr. Alok Mehrotra– President, Corporate Finance, Mr. Nishith Pujary, Head of Accounts and our investor relations team. I hope everyone 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.

We are witnessing encouraging trends in the real-estate sector after a very long time. Historical low interest rates coupled with lower stamp duty had enabled very healthy sales in the MMR region leading to cash flows in the sector which augurs well for all stake holders. We see this momentum to continue and expect pace of execution to grow. Commercial real estate is witnessing stable demand and corporate started planning for larger office spaces. We are seeing commercial real estate attract very healthy institutional investor interest lending long-term capital to the sector. After a period of pain, which started in March 2020, we can finally say that we have overcome labour availability problems in totality and work has started on the entire order book.

We have seen an increase in execution on month-on-month basis that is leading us to a faster recovery and helping us build strong brand equity with clients. Further, our strategy is to focus on the following aspects. Increased pace of execution for our clients and projects with last mile completion stage. Focus on executions on public order book where the



working capital cycle is more favorable. Further increase our collection efficiency and strengthen our working capital cycle to pre-COVID levels by March 2021. We expect government interest on infrastructure creation to continue, which will benefit the building segments as well.

Now allow me to give you an overview of our operational performance during the quarter. Our total order book excluding MHADA as on September 30, 2020 stood at 9873 Crores. Residential segment constitutes 24% of the order book, commercial and institutional segment 20% and mixed use 56%. Work has started on all sites as of end of September 2020 comprising the 100% of our order book. Our order book on the public sector as of end September 30, 2020, stood at 5630 Crores constituting to 57% of the total order book. The company is confident to achieve project completion within stipulated timelines.

A significant part of our order book is from CIDCO. I happy to share that all sites have been handed over and we had ramped our execution of the project. In Q2 FY2021, the company was able to recognize healthy revenues and expect better revenue trajectory from Q3 FY2021. We expect to gain significant momentum pick by the end of Q3 FY2021, which will lead good visibility for revenues and cash flows in the coming quarters. It also offers us very healthy working capital support for revenue reorganization purpose. Our order book from the private sector as of end of September 30, 2020, stood at 4244 Crores representing 43% of the total order book. We are witnessing gradual ramp up in the execution and are focusing to execution of orders will profitably working capital cycle therefore allowing in financial flexibility in these operations. Our continued focus on client quality and cash flow monitoring has strengthened our business model especially in these challenging times.

Total income for Q2 FY2021 is 187.5 Crores as compared to 23.7 Crores in Q1 FY2021, increasing our phase of execution after easing of lockdown restrictions. We would also like to share and reiterate that we have achieved labour availability of 100% of pre-COVID levels. EBITDA for Q2 FY2021 is 45.3 Crores as compared to EBITDA loss of 18.4 Crores in Q1 FY2021. We have witnessed significant increase in EBITDA on account of design related revenue we earned for a couple of our large size projects along with cost control measures.

We believe we will be able to revert to historical level of EBITDA in the quarters to come. PAT for Q2 FY2021 was 4.6 Crores as compared to a loss of 42.4 Crores in Q1 FY2021. Our net debt to equity ratio at the end of the period stood at 0.14x. The cash and bank balances stood at 351.69 Crores as of the end of September 30, 2020. Collections improved and the company realized 362 Crores in Q2 FY2021. With this, I now leave the floor open for questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** Good afternoon, Sir. Congratulations on a decent set of numbers in Q2. Sir, my two questions, firstly, given all the sites have opened now, how to see H2 and quarterly run rate going forward, anything on FY2022, if you can comment on and on the labour availability, how the size are shaping up given that all the construction company are seeing an improvement labour availability now?

**Rohit Katyal:** Let me start with labour availability, as I already said in my opening comments, we have close to 10000 workmen now, which is about 500 to 600 more than pre-COVID levels, which means that from that front we have no issues whatsoever. I do believe that the challenges, which are being faced on the supply chain because the small traders and service providers had a very bad period more than what they have imagined. They should also come back to some sort of normalcy in this quarter and greater normalcy in Q4 of the current financial year. Coming to our revenue run rate, we do believe that there should be a substantial, because we do not give the numbers, substantial increase over Q2 and the meaningfully substantial increase and as far as Q4 is concerned we should be on growth trajectory as pre-COVID levels. Concerning FY2022, the order book considering that we do not take any further orders and stabilize what we have now. Obviously, we should be back to the growth that have been clocking the CAGR excess of 25% and we do not see any reason why that should not continue in FY2022.

**Mohit Kumar:** Secondly, have we taken any write off on the order book Q-o-Q?

**Rohit Katyal:** So, as of company policy any orders, which is under suspension is removed from the main order book and therefore we have reduced one order of 300 Crores, which is under suspension.

**Mohit Kumar:** Okay, understood and Sir, on the quarterly revenue of the Q2, how much you have booked from the CIDCO project in this quarter?

**Rohit Katyal:** The CIDCO project would be close to 43 Crores.

**Mohit Kumar:** Understood, Sir. Thank you.

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

**Parvez Akhtar:** Good afternoon, Sir. Couple of questions from my side, on the CIDCO project, you said that already all the sites have been handed over and this quarter we had about 43 Crores on revenues, so going ahead, how do we see our work shaping out?

**Rohit Katyal:** You see that we have received one site in the current quarter and therefore, it would take about a month to mobilize that. Apart from that we are confident of clocking about 20 Crores to start with and improving by Q4. We will get peak revenue in this project, which is close to 100 Crores from the next financial year, so the gradual improvement you will see in Q3, you will see a greater improvement in Q4 and you will see peaking in the next financial year.

**Parvez Akhtar:** Sir, what are the details of the MHADA project?

**Rohit Katyal:** As I explained last time, MHADA project, the transit camps have improved progress at the moment in time and the commercial building NOC have been received and we are really optimistic that we will start the commercial building of close to about 1400 Crores in the current quarter and we will start building cluster 3 and 4 in the next quarter, so the total quantum value wise, which should be under execution starting this quarter and over the next financial year will be 2200 Crores.

**Parvez Akhtar:** Lastly Sir, what is out thought process towards the bidding for new projects, which are the segments that we are targeting going ahead?

**Rohit Katyal:** So, now we are more focused on institutional. We have already submitted our bids for certain depots, which is a part of metro projects, we had already submitted our offers for some hospitals and Q3 and Q4, the focus will be purely on such type of projects. Obviously there will be some repeat orders from existing clients like Raymond where we may add about 4 or 5 towers so that will happen. We do not treat that as a new order as we have already told you earlier, so to answer the question specifically, our focus continuing at least for the next 2 quarters will be more and more on institutional side, which includes hospitals, includes commercial and includes retail infra.

**Parvez Akhtar:** I will come back in the queue for more questions. Thank you.

**Moderator:** Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

**Jiten Rushi:** Good afternoon, Sir. Thanks for taking my question. Sir, my question was related to the Worli project of Oberoi Mall, what is the status there because there were some issues because of the metro work, so has the project started or yet to start and there could be any change in design and cost?

**Rohit Katyal:** I think, it is not prudent to comment on a specific client now. We believe that we have been told that you should be ready construction maybe by quarter end, however, that should not be taken as any commitment from the client. We had discussion, which are on one-to-one basis, so whether we are undergoing any design change also cannot be commented upon because this is a routine work, all the developers will look at their portfolio, the market requirements and because the demand has currently picked up maybe they may like to realign the size of the apartment so on and so forth, but it is well on track and obviously they we will be taking the benefit of the new development control rules of 2034.

**Jiten Rushi:** Sir, the collection has been towards this quarter, what I understand is this has been the collection of last 2 quarters and probably some execution in Q2, so this collection run rate would gradually come down or we have done the collections of past quarter that was still remaining because of COVID people had stopped making payments, business had stopped or something like that, can you just throw some light why the collections were high and how could be collections in the coming quarter?

**Rohit Katyal:** So, obviously the efforts which were put during the COVID period resulted in realization of about 80 Crores to 85 Crores of old outstanding, so that was one positive impact. The second impact was that the pre-COVID and post-COVID regimes cannot be compared. I just mentioned that the supply chain was totally broken, which means the credit periods, which any or all companies were enjoying from supply chain in pre-COVID does not hold true at all and when the supply chain credit period falls, we also have to demand money from other clients. It is a new norm post-COVID, that is number one. Number two, if you see at our creditor level, from March levels, we have reduced the level to by 266 Crores, right why this happened because the pre-COVID credit periods are no longer available. If you have to necessarily take special care of the labour contract or subcontracts, so therefore the focus on collection is the ongoing process, we do believe that the net working capital to be at pre-COVID levels at latest Q1 of next financial year or better than that, so the focus on collections will continue, obviously collections will be on basis of the revenue being grossed quarter-on-quarter, which I just mentioned that we should be at total normalcy in Q4 of the current financial year and therefore, I do not see any dip in collections. Obviously the old collections it may spike on a particular quarter maybe low on another quarter, so these are things obviously we are yet to collect another advance from CIDCO and maybe at a particular quarter the collection is lower by 15 to 20 to 25 Crores, we will ensure that there is more stability on the collection front.

**Jiten Rushi:** So, in CIDCO, we have received all the 7 land parcels and on giving of the bank guarantee we will get the balance advances and we have started mobilizing at all the 7 land parcels, if I may understand correctly?

**Rohit Katyal:** I want to correct you, we have started on 5 locations already, physical work and we have already raised our RA bills for that, location #6 will start in this month, and location #7 will start by next month end.

**Jiten Rushi:** Sir, one last question on the bookkeeping, can give you me the mobilization advance outstanding as in June and September and unbilled revenue as in June and September and retention as in June and September if it is okay with you, Sir?

**Rohit Katyal:** No problem Jiten, but you could just drop a small mail to our PR, and they will respond in no time, I do not have those details of June in front of me. They can provide you within a couple of hours.

**Jiten Rushi:** Sir, just one last from Q4 as you said thing should be fine, so we can expect a run rate of over 120 to 130 Crores monthly run rate in terms of execution?

**Rohit Katyal:** More.

**Jiten Rushi:** Okay, that is from my side and all the best and wish you a happy Deepavali. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Alok Deora from YES Securities. Please go ahead.

**Alok Deora:** Good afternoon, Sir. Just a couple of questions, actually I joined late, I am not sure if you answered that, one was on the operating margins, which have improved quite drastically in the quarter, so what is the outlook there or is it some sort of one off included in that?

**Rohit Katyal:** No, it is not one off, you know that the company is moving towards more or LSTK design projects, so whenever there are design projects whether is CIDCO, whether JJ Hospital and alike, you basically do the designing over a period of a year and that design is billed at a particular time, so a portion of that has been billed in this quarter, the total CIDCO project billing in the quarter has been 43 Crores and expenses were already debited on the P&L over the last 3 quarters, so it has given a spike of about 800 basis points and an absolute of about 10 Crores in the current quarter, so that is the basis; however, on a mid term and long-term basis, we have been pre-COVID period grossing EBITDA of 17 plus and we believe that, that should improve a little bit slightly; however, that is felt in the mid-term and the long-term guidance on the EBITDA front and the design charges as and they when they get billed for CIDCO and for JJ Hospital and whatever new projects come our way as and when that happens in that particular month maybe you may see a little bit spike.

**Alok Deora:** Sir, actually before like a couple of quarters back you used to guide for around somewhere between 15 to 15.5 sort of margins, now is it fair to assume, I mean removing the one off



quarters, is it fair to assume that number would be close to 17 to 18% sort of a margin performance?

**Rohit Katyal:** Let me correct you, at 30<sup>th</sup> June 2019 was 18.3%, September 30, was 18.2%, December 30, was 18.82%, March of the last financial year 15 days COVID hit was 17.02%, June 30, 2020, was a washout and not comparable and as I told you the EBITDA you see the 800 basis point flip this quarter, so therefore I am saying that we will be at 17% plus going forward.

**Alok Deora:** Got that, one question was on the order inflow, so you mentioned that you would be focusing more on the execution part, what is the order inflow outlook now, are we in discussing for any orders, which are going live or are we looking at any order inflows for the Q3 and Q4?

**Rohit Katyal:** So, that is a gradual process, as I told you we will looking at institutional, commercial and retail portfolio for the moment; however, having said that the order book of the company excluding MHADA is 9800 Crores, that is a huge order book, so the focus while the operations team are committed to stabilize and start improvement in revenues in Q3 and Q4, which is a given thing, the marketing team will look at these orders and we do believe that a couple of orders will get closed in the current financial year, but, however, we are in no hurry to take any order because amongst our peers in our size I think we still carry the highest order book and very well balanced order book from both private sector and government and we would like to continue with that.

**Alok Deora:** Sure, Sir. Thank you very much and that is all from my side.

**Moderator:** Thank you. The next question is from the line of Kirthi from Sundaram Mutual Fund. Please go ahead.

**Kirthi:** Sir, first congratulations for improving the balance sheet quality during the second quarter by having good cash flows of 380 Crores, which you have done, good job, Sir. Congratulations for that. My first question is with regards to debt reduction over medium term and when we expect achieving or envisage a gross debt free status target?

**Rohit Katyal:** So, our temporary spike of the 56 Crores what you see over March 31, 2020, I will not refer to June 30, 2020, is because of the banks permitting interchangeability between LC to CC to support the supply chains, number one and that we see getting corrected back to LC latest by June 30, 2021, which means that you will be back to pre-COVID levels or little bit lower by June 30, 2021. We have earlier put a date of March 31, 2022, to be gross debt free, we are now because of COVID pushed this to June 30, 2023, and we believe that the project

execution, the cost to complete as the internal controlled document, we have enough visibility and reasons to believe that by June 30, 2023, the company will be gross debt free.

**Kirthi:** Sir, my second question is, given that we have 9900 Crores order backlog and 100% of sites are ready now, this order backlog is only of very high quality clients and high client government clients are there in our backlog, and we have to finish in 3 or 4 years, so do you expect that on a quarterly basis 750 Crores to 800 Crores, we should be touching in the next 2 to 3 quarters, do you envisage that possibility over the next 2 to 3 quarters?

**Rohit Katyal:** As I told you, generally you are aware when you start a site new, you must do remobilization, etc. Now, that takes 2 months, 3 months to start with your revenue building. In our case, we only have to remobilize the labour, so the revenue built-up will start within 30 days and it will take a quarter to stabilize, so obviously from Q4, you will see the pre-COVID strike rate, which I already gave a comment to be more than 130 Crores and obviously with CIDCO peaking in the next financial year, you are extremely smart to guess what we can do because we do not give a projection on absolute numbers as far as sales are concerned, but given the order book, given the fact that all order are operational at the moment there is no suspended order contained in the order book of 9800 Crores, we do believe that the next financial year given there are no new surprises on COVID or some other financial difficult in the sector or whatever even in that situation we do believe that the next year should be historically high for the company.

**Kirthi:** Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Parikshit D Kandpal from HDFC Securities. Please go ahead.

**Parikshit D Kandpal:** Rohit, congratulations on the good recovery on quarterly financials. My question was, earlier you have mentioned that for the supply chain has been compressed and we had faced liquidity issues and that has resulted in free cash flows with going out, so you also mentioned that you are talking to the clients to get better payment terms, so any success or any progress there and how are the clients are responding, because ultimately you have to pass on the benefit of the liquidity to your suppliers and you have to get that benefit from your clients, so how the clients have been towards your request?

**Rohit Katyal:** Look, pre-COVID, we were little bit liberal, we should always tell you all that the client will not pay in 60 days we will suspend, we will stop, etc., now that liberty is not available, it is the payment term that the 70% has to come in 25 days, the client will have to pay that is what we are insisting, we are not asking them to improve upon the contractual terms, but the liberty, which we gave them earlier because of higher credit period from our associates or vendors that luxury no longer exist and that is what is visible from the creditor level

falling to 260 Crores, now a part of this has been financed obviously by the increase in working capital of 56 Crores from Q4 of last financial as compared to Q2 of current financial, but majority of that has been reduced only because of receipt from the client, which has been actually has one of historic high in the short history of the company. Therefore, going forward, I do believe that there will be a reduction in debtor levels, certification will be faster and there will also be slight reduction can be plus 25 to 30 Crores, but the reduction with slight increase in the creditor level, but creditor levels at this level are here to stay now.

**Parikshit D Kandpal:** But, on one side the creditors have compressed, but your terms have not changed on the debtor size, so do we need to expand in net working capital days because historically you were about 50 to 55 days we should target in 70 days, now do you see that increasing on a normalized basis?

**Rohit Katyal:** That is what I am trying to say you will see a reduction in debtor levels also. Over the couple of quarters you will see a reduction in the debtor levels because Q2 we have received substantial payments from the old debtors who was retention towards old amount, the company has paid quite well on that front. The current order book what we are executing let us say the CIDCO has the payment of 15 days, Bombay Municipal Corporation is 30 days, BSNL, which was earlier 60 days we are trying and they have agreed to compress to 45 days, Oberoi has been going and supporting us by reducing the process of release of payments, similarly Godrej has accepted to our request, so we do believe that there will be substantial improvement by Q4 of the current financial year. Please do not see distortion in the net working capital cycle in 2 months on the time some past benefits have been eased that would not give you or reflect the true picture.

**Parikshit D Kandpal:** Sir, secondly on the Taloja site has all the hindrances been removed by the government and is the site clear now for execution because I believe you did touch upon that by next month and you are looking to start work?

**Rohit Katyal:** Partially has been removed, so therefore we believe that 50% of the plot will be available and 50% of plot needs another addition of 1200 Crores to the open revenue, but those are illegal encroachments, partially the police has removed I think last week and in totality by the next 15 to 20 days that is the assurance given to us and therefore we do believe that we will be in full position to start by December end, any which ways 6 locations amounting to 2100 Crores has already been handed over.

**Parikshit D Kandpal:** I think this is the largest one, this was 2300 to 2400 Crores, so you think out of 2300 Crores about 1000 Crores will be handed over to you?

**Rohit Katyal:** No, the plot will be fully handed over to us, but it takes time to start, you cannot start when the building are there, any which way the zero date is from the date of giving us encroachment free plot to start the work so any which way will have up to three months to execute that. Our momentum and I encourage you to please visit our project at CIDCO and see how and at what phase the work whether it is piling, we have already competed footings and we do believe that from January we will start our monolithic casting and then you will see the bigger building coming into place, so I do encourage whoever wants to go should connect with our PR team and will organize a visit so that you see exactly how we are progressing.

**Parikshit D Kandpal:** Sir, from the pending mobilization advance, there were 122 Crores or 123 Crores odd from CIDCO from the last tranch, so how are you placed to get it and by when do you expect to get it?

**Rohit Katyal:** So, we want to apply for the last tranch at moment all the contractors have taken 7.5%, we do believe that in December of the current quarter we will be issuing the bank guarantee and requesting to release the last tranch.

**Parikshit D Kandpal:** Lastly in the funding pipeline on the banking and the financial institutions, so how are they approaching the credit for the sector now, we see the challenges from the funding side, so if you can comment on it because now we are coming back to the growth side of it and execution is ramping up, so definitely there will be requirement and investments on working capital so how are we placed in terms of liquidity and working capital, if you can just touch upon those?

**Rohit Katyal:** We have discussed with our bankers and we have moved on to project specific escrow accounting or most of the large size project be it Oberoi, Godrej, CIDCO, MCGM and now JJ Hospital. Also for JJ Hospital also first bill has been submitted in September, payment has been received in our account, so we do believe that with only a little bit support of that interchangeability which the bank will give us we have managed our cash flows very well. Obviously, the private sector banks have their own issues, but fortunately for us our exposure with private sector bank is very, very limited. On the contrary we would have reduced our exposure by 40 Crores to 50 Crores with private sector banks over the last 6 months, so the debt comparison is actually not apple-to-apple because we were enjoying a LC limits of 150 Crores when lockdown happened and that was interchanged to CC limit in the current financial year. Basically, we had reduced nearly about 40 Crores in that also, so when you compare all of that together, the banking finance from fund based and LC non-fund based basically had reduced for the company, which is a mark of improved working capital coming from the clients. We do see that the nationalized bank will continue to support our company, the balance sheets are strong, the order books are even more healthier and I do not think any banker can find a fault as far as our client order book is concerned, so

at the moment in time I do not see any challenge over there, but yes, there will be challenges going forward, which cannot be identified today, but as and when they are happened we have been very transparent and having all of you all know about that.

**Parikshit D Kandpal:** Sir, any thoughts on restructuring?

**Rohit Katyal:** There is no need for restructuring. In 20 Crores of term loans no company goes for restructuring. when you look at our total fund base exposure, 128 Crores are term loan, if you reduce that there is hardly any amount to working capital and our fixed deposit stands at 351 Crores, so I do not see why Capacite should go for restructuring.

**Parikshit D Kandpal:** Just wanted your thoughts on that and confidence on it. Thank you, Sir and wish you all the best and wish you happy Deepavali. Thank you.

**Moderator:** Thank you. The next question is from the line of Sagar Parekh from One-up Financial. Please go ahead.

**Sagar Parekh:** Sir, my question has been answered, I just have one small doubt, you mentioned 128 is the fund base term loan and the remaining is the CC loan, right now out of the 420 Crores?

**Rohit Katyal:** So, if you remove 128 Crores balance is about 308 Crores of working capital and this is basically CC and bill discounting, bill discounting takes about 35 Crores and the remaining is CC.

**Sagar Parekh:** Okay, you are saying that CC will be converted to LC by June 2021?

**Rohit Katyal:** So, about 108 Crores will be converted to LC latest by June 2021.

**Sagar Parekh:** Okay, so we will be back to pre-COVID debt level?

**Rohit Katyal:** Lower than that.

**Sagar Parekh:** I just wanted to check if you are talking about going gross debt free by June 2023, so what are the steps that we require, so one you obviously mentioned that the debtors days will come down structurally, but apart from that is there any other way that you can say we can be gross debt free company?

**Rohit Katyal:** Yes, because if you look at our fixed deposit level, the margins are too high, these are COVID times, I do believe that the margins will reduce by 5% to 7% releasing liquidity of about 110 to 120 Crores in the banking system, basically you are using your own money, which have huge margins with the banks. As you move towards escrow account systems the



bank stipulations for margin towards bank guarantee stand reduced so that is one aspect, second aspect you have answered that the debtors levels are going fall, and you will see that visible fall in the current financial year that is by Q4 end itself, so these two aspects over a period of nearly 18 months from now should have the company attained the level of gross debt free.

**Sagar Parekh:** Sir, just one last question, on the debtor side what can be the sustainable debtor level, what is it currently including the unbilled receivables and then what can be the sustainable debtor levels you think is possible?

**Rohit Katyal:** So, without retention we believe that we would like to go down to 45 days debtor level.

**Sagar Parekh:** This is how much currently?

**Rohit Katyal:** So, currently it is only pure debtors including certified and uncertified bills, that would be close to about 70 to 75 days excluding retention, so the point is that this very steadily improving and we do believe that certified plus noncertified debtors to come down to 45 days by Q4, but more meaningfully, the unbilled revenue or WIP, which today is like as financial assets that will come down substantially because the billing towards that will start happening, it will not reflect itself because it is already taken into sales, but once the financial assets come down you will see uptake in the debtor collection, which will start from this quarter and have a very remarkable improvement by next quarter, so whatever COVID impacts, as I told earlier also, which we have seen for may be five-and-a-half to 6 months that should get completely eliminated by Q1 of next financial year.

**Sagar Parekh:** So, on the unbilled revenue, you mentioned that, that will start coming down, but once you start executing the CIDCO project would not that also lead to increase in the same, the other financial assets?

**Rohit Katyal:** No, because our billing is monthly, we do not compare the last 6 months, our billing is monthly, we do not see any reason why the financial WIP or financial assets should remain at 373 Crores, okay, we can understand like for example, the uncertified portion, which was 151 Crores in March and which was 156 Crores in June insight of increase in revenue has come down to 96 Crores in Q2. Similarly, WIP has gone up by 40 Crores to 50 Crores, the revenue has gone up; however, there is no reason why clients would not certify for worked done and bill portion starting this quarter and improving that in Q4 and completely bringing into pre levels by next year. Because June 2019 unbilled revenue was 250 Crores, I do not why that level of 200 Crores to 250 Crores is not sustainable because we have been doing that.

- Sagar Parekh:** Right, Sir. That is it from my side. Wishing you a very happy Deepavali and prosperous New Year and all the best, thanks.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss Securities. Please go ahead.
- Parvez Akhtar:** Thanks for taking my followup question. Just one bookkeeping question what is the capex that we incurred in Q2 and what is the plan for the full year?
- Rohit Katyal:** The plan for the full year for non-CIDCO project is about 15 Crores and CIDCO project as we have told earlier also will be close to 85 Crores to 90 Crores, but that will be spread over little bit of this financial year and over the next 18 months.
- Parvez Akhtar:** And capex in Q2?
- Rohit Katyal:** We maintain the same level of Q1, so no meaningful capex in Q2.
- Parvez Akhtar:** Sure, Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav Rana from Ambit Capital. Please go ahead.
- Gaurav Rana:** Sir, I just want to ask that are there any plans for capital raise in the near term?
- Rohit Katyal:** No, Sir.
- Gaurav Rana:** Okay.
- Moderator:** Thank you. The next question is from the line of Suraj Nawandhar from Prithvi Finmart. Please go ahead.
- Suraj Nawandhar:** Sir, most of my questions have been answered, just couple of clarification, about the CIDCO project, you said the peak revenue of 100 Crores, is that per month or per quarter?
- Rohit Katyal:** No, per month from next financial year whether that starts from July of next financial year or September that is still on the drawing board, we are putting the numbers together, but you have to 4000 Crores level in 4 years from now then you will have to start peaking 100 Crores per month and not quarter.

**Suraj Nawandhar:** Okay, and Sir, about the reduced order of 300 Crores, if you could give some details, is that cancelled permanently or is it just suspended because of some funding issues or what was the reason for such?

**Rohit Katyal:** Non-receipt of payment, project suspended since it is not being resolved for a period of 6 months, it as a company policy it moves to non-moving project and therefore deleted from the order book, will it start again, we did not know at the moment, if it starts again it will come back to the order book, we cannot comment on the future at the moment.

**Suraj Nawandhar:** Sir, last question, in the opening remark you said that you are seeing a good demand in commercial real estate, if you can elaborate on that point a bit?

**Rohit Katyal:** Our statement comes on back of the commercial projects, which we are executing for Oberoi, Brigade or Phoenix and Canadian Pension Plan all these projects, the client could have slow down on the contrary they are demanding squeezing the execution timelines, which is a very positive indication. The clients with whom we have interacted have not put any of their future plans or Q4 onwards on hold as far as institutional, commercial buildings are concerned, so that is the reason, which more of micro analysis on our company side rather than what JLMR or those people would say from macro perspective.

**Suraj Nawandhar:** Okay, Sir. The reason I asked because the industry says otherwise that commercial real estate has slowed down and everything that is the reason I asked that question?

**Rohit Katyal:** That was in Q1, if you look at all the results whether it of Brigade, whether it of Prestige, whether it of anyone except Mumbai, all the south players have said that they are at pre-COVID level of rentals because Mumbai opening up was delayed much more than south India, I think in Q3 this should also come back as pre-COVID level of occupancy.

**Suraj Nawandhar:** Thank you, Sir. Happy Deepavali and all the best.

**Moderator:** Thank you. The next question is from the line of Faisal Zubair Hawa from H. G. Hawa & Co. Please go ahead.

**Faisal Zubair Hawa:** Good afternoon. Any debtors that you feel will be troublesome in the next 5 to 6 months for the recovery and where work is also stopped and yet they are not paying and secondly, do we see this whole data centers emerging as a very good opportunity for the company as we have been a reputed player?

**Rohit Katyal:** Sir, we have a total provision of about 51 Crores, so the point is the company is very well oiled in case of some debtors fails to pay in the next 3 months to 6 months practically provided for, but we have never had the history of bad debt so far and we really hope

because the outstanding, which are slow are with certain market leaders maybe not today, this market leader may be the market leader year back without taking names, so I do believe that those payments will get realized starting Q4 maybe by Q1 and Q2 of the next financial year, we have realized as I said nearly 80 Crores from old debtors in Q2 of the current financial year and efforts of the management are towards that and so the efforts of the entire operations teams.

**Faisal Zubair Hawa:** About the data center?

**Rohit Katyal:** Data centers are on track. They are being executed for Department of Telecommunications on behalf of defense and the implementing agency is BSNL, payments come through micro mechanism to us and we believe that we shall be doing 10 Crores revenue this month and we shall start grossing close to 20 Crores revenue per month from next quarter onwards.

**Faisal Zubair Hawa:** Sir, do you think that this whole real estate turning around and flats being now sold more rapidly and it could really lead to a lot of more projects being launched and also that we could get more Data center opportunities from players like Amazon, etc., so do you see opportunity there also?

**Rohit Katyal:** Yes, we have been bidding, so commercially we lost the Amazon Data Center in Hyderabad, that is okay, it is a part of ongoing business, even in our existing client as and when the opportunity comes we will be there to bid for them, so the point is that the Capacite stands qualified for hospitals, commercial buildings, institutional buildings, depots, in may cases now for airports and obviously the residential whether low rise or high rise, so the opportunity for Capacite across the gamete of building segments and Data Center is obviously is one part of that and we continue to focus on it as we continue to focus on other segments.

**Faisal Zubair Hawa:** Sir, any comment from the real estate really turning around because you are almost at a good position where you can sense if there is a turn around?

**Rohit Katyal:** You see that figures of October had been historically high. I have to believe the top real estate players, they are saying that it would be higher than the last may be 10 to 12 years as per a monthly sales are concerned, now obviously we may continue to focus on the cash flows, I am talking on broad based, it is not a comment for any of our client, so I will put a clarification in place, so if this particular rate continues, which at the moment is there and obviously till March you have stamp duty at 3%, till December it is 2% and till March it is 3%, across Bengaluru, Chennai and Mumbai, all our clients have seen a very, very good sales traction, which is visible from their balance sheets also, so I do believe that there is a very great clarity to the consumer today that number 1 on the GST regime nothing is going to change in that, number 2, warehouse well understood by them, number 3, developer are

very, very touchy as far as the completion time schedules are concerned that is what the consumers wanted, so the point is that if anyone wants to buy an apartment there is no problem, so therefore I do believe that the moment will continue.

**Faisal Zubair Hawa:** Thanks so much for that.

**Moderator:** Thank you. The next question is from the line of Anish Jobalia from Banyan Capital. Please go ahead.

**Anish Jobalia:** This is Anish Jobalia from Banyan Capital. My question is, there is an increase in other current liability by 120 Crores, so if you can help understand what is the reason?

**Rohit Katyal:** It is nothing, it is the receipt of interest free mobilization advance.

**Anish Jobalia:** Okay, second question is I mean just trying to understand, how do you think about free cash flow generation going forward, so my question is when we peak our revenues, so generally gave this data of Cash PAT, so what I am trying to understand is what is the thinking around the free cash flow generation which is important components around that given that now we are taking incrementally more of self funded projects?

**Rohit Katyal:** First thing to clarify, we have never done any BOT or developers base project, we are only in cash projects; however, post-COVID with the changed scenario I have had mentioned earlier also that the creditors levels have fallen and so had the debtor level fallen in absolute terms our debtors levels have fallen and this trend will continue. Now, coming to the other part, let us assume that in the next financial year, there will be incremental addition of let us say 75 Crores per month to the topline and 75 Crores is coming from clients like MCGM and CIDCO where the payment terms are under 30 days, I do not see why the working capital cycle will expand on the contrary it should contract.

**Anish Jobalia:** Right, do you consider the finance cost that we must incur, which is both fund base and non-fund base?

**Rohit Katyal:** That will be average at about 17.5 Crores per quarter because it is a fixed cost for the moment, I am referring to the current financial year, so for the Q3 and Q4 you should see a level of 17 Crores to 17.5 Crores, do not hold me responsible if 25 lakhs or 30 lakhs go here and there and that should be the level of this finance cost including bank guarantee charges commissions, interest on CC, interest on bill discounting, LC commission and discount charges all put together.

**Anish Jobalia:** Sir, our capex going forward, so if you take a new site we have incur the establishment expense, but apart from that how are we thinking of the capex going forward?



- Rohit Katyal:** As I explained earlier, there is capex on the private sector side remains at 15 Crores, balanced to be expended, so in order book of 4000 Crores plus there is hardly any capex to be done, whatever capex happens will be happening on the CIDCO project, which will be close to about 100 Crores or 95 Crores, but will happen over a period of 18 months plus the current financial year.
- Anish Jobalia:** Sir, can we say that over the entire 9000 Crores plus order book, we do not need more than 200 Crores odd capex?
- Rohit Katyal:** 120 Crores.
- Anish Jobalia:** 120 Crores is the entire Capex ?
- Rohit Katyal:** Yes.
- Anish Jobalia:** Thank you so much.
- Rohit Katyal:** This excludes site establishment, which comes in a part of core assets.
- Anish Jobalia:** But, the Foam work and all is including in that right?
- Rohit Katyal:** Absolutely, so the core asset level is at net basis, it is 410 Crores, which includes Foam work and plant and machinery, so with a average depreciation policy adapted by the company and if that is visible from the depreciation being charged off and therefore the net profit be lower and cash profit being what you see I do believe that over the next 2 to 3 years it will improve the net profit also.
- Anish Jobalia:** Sir, directionally can we think that if you look at the past free cash flow has been negative and now that the company is growing rapidly, but over the next three to four years when we execute the CIDCO project and other Private projects, we should actually see more of free cash flow generation after taking into account the finance cost?
- Rohit Katyal:** Absolutely, it is a fair assumption to make and that is why we said over the next 3 to 4 quarter our focus will be more on institutional buildings whether capex requirement is nil or bare minimum.
- Anish Jobalia:** Thank you so much.
- Moderator:** Thank you. The next question is a followup question from the line of Parikshit D Kandpal from HDFC Securities. Please go ahead.

**Parikshit D Kandpal:** Just on the capex plan execution, you said 120 Crores is what is to be done in 18 months and how much will be site establishment expenses over and above?

**Rohit Katyal:** Site establishment as the budget is overall 4% of the contract value as per the budget, now obviously that will happen over a period of 2 years, two-and-a-half years and there will be written off by the time 85% of the project is completed that is the mechanics what we had been following so far.

**Parikshit D Kandpal:** So, you are talking about CIDCO project, this 4500 Crores?

**Rohit Katyal:** The total site establishment at the moment is only 186 Crores including everything, this was 142 Crores without CIDCO one year ago, right, so at the moment it is 186 Crores, there will be fresh capitalization from CIDCO project; however, there will be amortization or depreciation from other projects.

**Parikshit D Kandpal:** Let say 160 Crores to 170 Crores of site establishment to be incurred on CIDCO and about 120 Crores of capex, so that is what we do over next two years?

**Rohit Katyal:** Yes, it is incorporated in the budget, so it is there as far as CIDCO project because last time also I clarified the reputations of the aluminum foam work cannot be compared to a prior development of the project.

**Parikshit D Kandpal:** Sir, on the unbilled debtors, which is lying in the balance sheet of the financial assets basically so that has been bloated up because of the last six months of COVID issue and now it should come down substantially, first of all I wanted to know this unbilled is largely pertaining to private part of the order book and as the share of government revenue will go up, so there would not be any large addition from the government order book in unbilled?

**Rohit Katyal:** On the contrary there will be a reduction in government so we will be having invoice, now we should understand that unbilled revenue is part of revenue in financial assets, so out of this 109 Crores pertains to say go out of 24 Crores bill has submitted remainder will be get submitted in the current quarter itself apart from whatever fresh work we do, some billing breakup also has been approved and therefore we have submitted our bill. I do believe there is a fair case that the unbilled revenue should reduce by 150 Crores minimum by March 31, 2021.

**Parikshit D Kandpal:** This reduction is coming on an account of government or under private order book?

**Rohit Katyal:** Both because the point is all the bills which were not certified by Oberoi, have been certified now, the bills which have not been certified by Phoenix have been certified now, certain amendments were pending with Oberoi that happened in the current quarter, certain

amendments were pending in Brookfield which will happen by November 30, 2020, therefore there is a very strong case as I told you that we should be looking at overall reduction of 150 Crores in the financial assets, now which means that you will be lower than the financial assets which stood at 481 Crores as on June 2019, and the mix of this financial assets will equal between government and private.

**Parikshit D Kandpal:** The nature of the recognition of this financial asset, does not change whether it is a private client or a government client, they will have the similar terms on certification of the bill?

**Rohit Katyal:** Absolutely, but the revenue from the government will increase, when it increases the part of the financial assets, the ratio sharing between private and government will also shift.

**Parikshit D Kandpal:** Is it not like that government clients will certify little later or private will do certification faster?

**Rohit Katyal:** Absolutely not we submitted the bill on September 30, 2020, in JJ Hospital the payment is received and payment received means in government payment receivable bill certified, which are all earlier has to be taken, so if payment has been received on our particular bill that has been raised then it has to be assumed that the bill is certified.

**Parikshit D Kandpal:** We are building a ramp up in the revenue from the Q4 building into the next year, so now to match up with the depleting order book we will have to take new orders, my question was what kind of bid pipeline do you see over the next 6 to 12 months because last year we had one last chunky order from CIDCO, which gave a very big boost to the order book, so now going into FY2022 how do you see the bid pipeline and if you can share your thoughts on large projects, which are coming up and how do you intent to bring a order book in FY2022?

**Rohit Katyal:** You will have leave me somewhere if I increase the order book you asked me a question totally different in a quarter, when we are saying that we are in stability mode which does not mean that we are not bidding, we are not bidding for any new private sector clients and that will remain for the next 3 to 4 quarters until and unless some big comes. Now, having said that the focus will be on institutional building in the government sector, we see a huge traction in Maharastra, in Karnataka, central government has announced 70 hospitals of AIMS, which will come up in Hyderabad, across the country, so the bid pipeline is very, very strong, the CMI report mentions 20000 Crores to 30000 Crores of airport etc., I do not want to go as on macro assets, on the micro basis I do think there is enough for Capacite to choose for example, MCGM is coming out with 4 hospitals we are qualified, we see MSRDC as an implementing agency coming out, we see Sulphur PWD and PED coming out, these are all institutional buildings hospitals, educational, but more so pertaining to healthcare because that is one where the budgets will be easily allotted, so that is the focus

at the moment in time and therefore, we should be able to maintain the levels of order book to about 8500 Crores, now I hope that answers the question, but I would appreciate if you could call up our team if there is any further point, which we can clarify we will be very happy to do that.

**Parikshit D Kandpal:** Sure, thank you Sir.

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

**Rohit Katyal:** Thank you everyone for joining the call and we hope that we have been able to answer your queries. For any other information, we request you to get in touch with SGA our Investor Relations Advisor. Thank you. Wishing you all very happy, safe, and healthy Deepavali. Take care of yourself. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Anand Rathi Share & Stockbrokers that concludes this conference. Thank you all for joining us. You may now disconnect your lines.