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Date: February 25, 2021

To,

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

Dear Sir/ Madam,

**Sub: Transcript of the Analyst/ Investor Conference Call held on February 12, 2021**

Dear Sir

We refer to our letter dated February 09, 2021 regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company during Q3FY21 which was scheduled on Friday, February 12, 2021 at 12:00 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  
Q3 & 9 Months FY2021 Earnings Conference Call”

February 12, 2021



**ANALYST: MR. RACHIT KAMATH – ANAND RATHI SHARES &  
STOCK BROKERS**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 and 9M FY2021 Earnings Conference Call of Capacite Infraprojects, hosted by Anand Rathi Shares & Stock Brokers 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 participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator, by pressing “\*” then “0” on your touchtone phone. I now hand the conference over to Mr. Rachit Kamath from Anand Rathi Share & Stock Brokers. Thank you and over to you Sir!

**Rachit Kamath:** Thank you Margaret. Good morning to all the participants to the Q3 & 9 months FY2021 earnings conference call of Capacite Infraprojects. Today we shall start with a brief commentary from the management and then proceed to a Q&A session. 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 will now handover the call to the management Mr. Alok Mehrotra from the management. Thank you and over to you Sir!

**Alok Mehrotra:** Good afternoon everyone. A very warm welcome to our Q3 FY2021 earnings conference call. Along with me, I have Mr. Rohit Katyal - ED & CFO, Mr. Nishith Pujary, Head of Accounts and 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 through the operational and financial performance, I would like to highlight a few points. The business ran as usual for the first two months of the year but all real estate activities came to a sudden halt in late March with the lockdown. Although the economy started to unfold from June onwards the situation remained grim to September as construction activities were stalled because of labor paucity and uncertainty in the minds about how the situation will unfold.

Housing sales began to improve from October onwards due to pent-up demand and festival euphoria. The softening of interest rates coupled with reduction in stamp duty on registration of properties in Maharashtra acted as a catalyst for higher sales in two key markets, Mumbai MMR region and Pune, which were the positive factors that paved buyers’ interest and return to the market. At the macro levels, the grounds for a likely surge in demand for residential housing and commercial space in the months to come are not hard to foresee as they are linked to a strong uptake in the economic growth coupled with a favorable interest rate regime. The real estate sales especially in MMR have witnessed record offtake and will help developers to complete project faster. In the quarter gone by we have started witnessing ramp up in pace of execution sequentially. Our strategy is to focus on the following aspects: Projects with

heavy cash flows to strengthen our balance sheet and cash flows, execution of public sector order where the working capital is favorable and strengthen our working capital cycle.

Now allow me to give you an overall view of our operational performance during the quarter. The total order book (private and public) excluding MHADA as on 31st December 2020 stood at 9,145 Crores. Residential segment constitutes 24% of the order book. Commercial and institutional segment constitutes 19% and mixed-use segment constitutes 57%. Our order book from the public sectors as at the end of December 31, 2020 stood at 5,526 Crores that is 60% of the total order book whereas from the private sector stood at 3619 Crores that is 40% of the total order book. Work is going on at a good pace on all orders. The company is confident to achieve project completion within the stipulated timelines. In Q3 FY2021, the company was able to recognize healthy revenues and expects better revenue trajectory in Q4 FY2021. With such momentum in execution and robust order book we expect growth phase starting in FY2022. Our continuous focus on client quality and cash flow monitoring has certainly strengthened our business model, especially in the challenging times.

Our standalone financial performance for Q3 FY2021 is as follows: Total income for Q3 FY2021 is 311.1 Crores as compared to 183.3 Crores in Q2 FY2021 depicting gradual increase in our pace of execution. EBITDA for Q3 FY2021 is 59.9 Crores as compared to EBITDA of 45.3 Crores in Q2 FY2021. We witnessed significant increase in EBITDA due to stringent cost control measures and operational efficiencies. PAT for Q3 FY2021 is at 15.2 Crores as compared to 4.6 Crores in Q2 FY2021. Our net debt-equity ratio at the end of December 31, 2020 stood at 0.15 times. Collections are robust as we have collected about 271 Crores in Q3 FY2021. With this, I now leave the floor open for questions. Thank you.

**Moderator:**

Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

**Riddhesh Gandhi:**

Riddhesh here Sir, a couple of questions. As your order book is increasing with the government order which you are taking, how should we be thinking about EBITDA or actual margins for the business going ahead? For the government is it at a lower EBITDA spreads or is it around the same as the private orders?

**Rohit Katyal:**

Now the order book from government, 90% of that is design build so it is purely EPC project. It is not a BOQ executable order book and therefore though you are having about 35%, let us say 35% of the revenue in the 300 Crores revenue which we have done in the current quarter still the EBITDA has shown slight improvement over the prior quarters. So yes, we do believe that given the current order book the EBITDA levels are sustainable because the projects of government as I mentioned 95% of them are in EPC basis.

- Riddhesh Gandhi:** From our experience, is the receivable cycle also in line with the private business as we look at potential equity, IRR, and ROCs for government EPC versus the private businesses or better in fact maybe?
- Rohit Katyal:** Let us come to the first point of debtors, the debtor level at the moment of government are nearly 45 to 50 days which means they are better than the private sector, however, having said that the private sector has now only AAA rated clients and any private sector client who does not pay within the stipulated contract terms the work will be suspended as I have been mentioning over the prior calls, that is on the debtor side. ROC or ROE is on the company level. It is not computed on the project level. These are all cash contracts and therefore maybe some projects may have a higher ROE or ROCE some may have a little bit lower, but as I said over the next two years you will see a significant improvement on the ROCE and ROE.
- Riddhesh Gandhi:** Last question is given your robust order book right now, where do you see revenues for FY2022, just sort of executing on the existing order book and potential new orders?
- Rohit Katyal:** In the current order book, first of all as you all are aware, we do not give specific guidance, but this particular year has been an exceptional one and therefore as one off the company will be giving guidance for FY21-22. We do believe that revenue will be upward of 2,000 Crores.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Sir can you repeat the guidance, you said above 2,000 Crores am I right?
- Rohit Katyal:** Yes, upwards of 2,000 Crores.
- Mohit Kumar:** Can we expect from Q4 itself 500 kind of run rate for the quarters?
- Rohit Katyal:** Now that is an over expectation. I have in the last quarter said Q3 of stability, Q4 of growth, so obviously there will be a substantial upside to Q3, but no further comments on that. As I said, we are looking at the next financial year as a comparative to FY2020 and we do believe that upside would be 35% on that, not considering FY2021 at all, but we do believe answering your question that Q4 will have a substantial upside when compared to Q3 of the current fiscal.
- Mohit Kumar:** Have you written off some particular order in Q3? I think order book is at 9,800 odd Crores to 9,145 Crores.
- Rohit Katyal:** As a company practice, orders which do not start within six months of they are being received, one is Oberoi Mall that is in redesigning and therefore it is expected to start next quarter.

Once it starts it will come back into the order book and obviously because substantial time has passed there will be a renegotiation on the prices as per current levels. Number two, Neelkanth phase-2 has not started for a substantial time and therefore has been moved to slow moving order. So basically, the order book remains unchanged what we have given you is the 100% active order book as a practice of the company.

**Mohit Kumar:** In FY2020, we had a very good order inflow. How do we see the rest of the Q4 FY2021 and FY2022 and do you see more affordable housing projects available in the State of Maharashtra and are you looking for any other projects outside Maharashtra which are large and chunky?

**Rohit Katyal:** We continue to focus on the seven geographies which all of you know. Absolutely at the moment in time the Maharashtra state takes a lion share of the order book. Our visibility on the government side for hospitals and affordable housing for the next six months is clear, the tender which can be bid is 40,640 Crores on the public sector side and close to 26,000 Crores on the private sector side and therefore the order book pipeline is very strong which gives us a comfort that we should more or less be able to do an order book of 3000 plus Crores in the next financial year and that is in our track record.

**Mohit Kumar:** Understood Sir. Can we expect a substantial ramp up in CIDCO project affordable housing, can we see substantial ramp up in Mumbai?

**Rohit Katyal:** Substantial ramp up in CIDCO project, yes. We expect to start billing about 55 Crores per month in the April to June quarter, increasing them to about 65 Crores in Q2 and from Q3 we should be having a run rate somewhere between 80 to 90 Crores, and Q4 we should take that up to about 100 Crores plus. So, this is the approximate run rate as per the ramp up because all the sites are mobilized, work has started at all the sites. We have earlier mentioned in the last quarter the engineering is totally complete and there is now no hold. So obviously the monsoons we have to take into consideration, the dip of about or loss of 15 to 16 days so accordingly the revenue will be built up.

**Mohit Kumar:** How are we impacted by the movement of steel and cement? Do you think the margin is pressured or we are hedged to a large extent?

**Rohit Katyal:** 98% of our order book has 100% pass through, so when the steel goes to 30 we do not make money and when the steel goes to 70 we do not lose money.

**Moderator:** Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

**Dhananjay Mishra:** Congratulations on very decent recovery on Q-o-Q basis. I missed the CIDCO contribution part. What was the contribution in this quarter and how it will be in the next Q4 and next year Q1?

**Rohit Katyal:** In Q3 we have invoiced 51 Crores to the client. We have started receiving the RA bill payment as per the contract terms. We believe that in Q4 we should develop that revenue rate and as I said from Q1 of next fiscal it should be in the range of 50 Crores to start with Q1, 60 to 65 Crores in Q2, Q3 should look at 75 to 85 Crores, and Q4 100 Crores plus.

**Dhananjay Mishra:** This is monthly run rate you are talking about right?

**Rohit Katyal:** Yes, monthly run rate.

**Dhananjay Mishra:** So, this quarter we had a total 50 Crores right?

**Rohit Katyal:** We are doubling that in the current quarter maybe little bit more. I hope to give you all pleasant surprise when we meet next, but at the moment on a conservative basis this is what we are informing you. The run rate is not stagnant. It is going to double up and then after three and Q1 as we have mentioned it is going to see another jump of 80% so a substantial run up.

**Dhananjay Mishra:** What about this Taloja site? Have we acquired the land, was it handed over by CIDCO? This CIDCO project, the seventh one which is bigger one.

**Rohit Katyal:** In the seventh location 30 buildings have been handed over. Our bill for design and engineering has been recorded and cared for. Apart from that the client has already over eighth location called Navade. One portion to us and one portion to our competitor, so we believe that the ramp up and the billing schedule which I just provided is at absolute certainty.

**Dhananjay Mishra:** Have we mobilized our resources on seventh location as well?

**Rohit Katyal:** We have mobilized on the central yard. We do not have to mobilize at each location in a similar manner because the central yard in Kharghar is entrusted with the responsibility of all the seven locations and now the eighth location also.

**Dhananjay Mishra:** CIDCO is going to launch this project by March or April or is there some delay?

**Rohit Katyal:** I cannot comment for sure, but I do understand that the first 20,000 houses may come up in April or May.

**Dhananjay Mishra:** Sir what about JJ Hospital project and how it is moving?

**Rohit Katyal:** JJ Hospital project the design up to plinth has been approved, bills and payment received, site is mobilized, tiling is in process and certainty cutting permission is awaited which would happen in the next 10 days, which means that you will see a substantial revenue happening in the next financial year in excess of about 150 to 160 Crores.

**Dhananjay Mishra:** Okay Sir, lastly about margin we are at 19% EBITDA margin so this margin will sustain or maybe improved slightly next year?

**Rohit Katyal:** As I have been always telling that you have to look at the margin on a yearly basis. A lot of operational efficiencies, reduction in salary cost etc. has kicked in, however, we have to account for that the whole infra space is buzzing with a huge pipeline, so talent which was maybe reasonable six months ago may go expensive again, so therefore my guidance for the EBITDA will be between 17 to 18.5.

**Dhananjay Mishra:** Sir can you give the figure of gross debt and cash level as of December?

**Rohit Katyal:** The gross debt stands reduced by 40 Crores from Q2 to 371 Crores. The net debt is close to about 130 Crores.

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

**Faisal Hawa:** Good afternoon Sir. Congratulations on a very good set of numbers. Sir about the SBOT project, there are some problems with the municipality so do you think the project to be contributing on the coming financial year also?

**Rohit Katyal:** We have handed over and we have gotten the completion certificate. Only our final bill of 6.5 Crores is under final scrutiny which is a normal practice and that we should receive let us say within this month or early next month. As part of our project is concerned, we have delivered, handed over, and received the completion certificate.

**Faisal Hawa:** Sir any progress on the various hospital projects that central government is now very seriously pursuing? Do you think that there could be a lot of orders coming there itself and would there be a sense of urgency on that?

**Rohit Katyal:** The bid pipeline which I just mentioned of 40,000 odd Crores now that about 30% constitutes hospitals in Maharashtra alone both from Ministry of Medical Education and MCGM, we see a bid pipeline of close to about 10,000 Crores, so there is substantial investment which will come in healthcare. State government separate, central government separate. Central government outlay was 60,000 odd Crore over the next five years and if you add state you



can easily make it 3x, 4x so there will be substantial opportunity across India in the hospital sector/healthcare.

**Moderator:** Thank you. The next question is from the line of Jeetu Panjabi from EM Capital Advisors. Please go ahead.

**Jeetu Panjabi:** You guys have done very well, so it is great to see the recovery. I have got two broad questions. One is usually on closure of projects you get about 3% or 5% value of the project and stuff like that so my question is that any of these last payment tokens that you think will not come or any write offs that you have to write off because some private sector guy is not going to pay and you kind of feel that is not going to come. Is this there in the books that you think will hit us over time?

**Rohit Katyal:** So, your question basically pertains to the security deposit or retention which is withheld from the RA bills. If you compare this Q2 of current fiscal the amount has reduced by about 20 Crores but if you compare it with the levels of 31st March you will see a reduction of close to about 40 Crores rupees. We are dealing with AAA rated clients and now most of the clients, if not 100%, let us say at least 90% all these moneys are receivable against guarantees.

**Jeetu Panjabi:** So, you do not see any potential write off?

**Rohit Katyal:** Coming to the second part of the question we never expected ILFS to go back and therefore the NBFC crisis and therefore some of the developers going under the weather and therefore a small balance sheet Capacite Infra has a provision of expected credit loss ECL of 50 Crores to navigate through any surprises in the future. We do believe that over the last eight years since inception we never have had any bad debt and we hope that you will see reversal of this provision in the next financial year.

**Jeetu Panjabi:** Look beyond 2022 and you have a guidance for 2022 which we really appreciate, but look beyond 2022 and how do you see the scenario emerging? Are you going to widen your private sector client base or you are going to stick with that and work more with the public sector guys? What kind of demand size dynamics you see over the next two to three years after that? I am not asking for one year but just bit of a longer-term view, on how do you see the picture emerging.

**Rohit Katyal:** So, whether it is private sector, public sector, autonomous bodies put by the Central/State Government the basic mantra is quality of the client. If the client quality is good you will get your payment. An intelligent client is better than client who does not understand the subject. So, quality of the client will be the biggest focus which we have reiterated all through and therefore we are not averse to going per our private sector order book. We are seeing traction in Q4 enquiries coming which were not there till Q2 and till the end of Q3 and therefore I do

believe that next year is going to be one of the best years for the organization. Now let us go beyond 2022 you are as good as the health of the order than health of the clients we should take today, what orders we have, what we intend executing over the next three years is already available with you and therefore the growth is available in front of you. Now how that would pan up between private sector and public sector or maybe multilateral funded projects, it depends on the central and state governments and the private sector launching projects. With the current uptrend in the real estate sector which was totally unexpected has been V shaped and whatever benefits that come in the budget we do believe there is a bid pipeline for all the six to seven players in the building sector is going to be very robust and we do have the opportunity to pick and choose the orders depending on the geographies they are coming from.

**Jeetu Panjabi:**

Okay, you do not see a balance sheet constraint in doing that at that point?

**Rohit Katyal:**

If you see in the last quarter, we suspended two projects because of no receipt of payment and we have started again in this quarter after the payments came. So, the point is balance sheet health is of primary importance, if you have to lose 50 Crores revenue for that so be it, that can be explained. You see most of times we have reduced the debt portion. We believe 40 to 50 Crores will come down in the current quarter itself and by June end we should at or better than pre-COVID levels. Balance sheet strength cannot be compromised on. Top line can look pleasing for one year and two years, ultimately it is the balance sheet health which we will be talking about.

**Moderator:**

Thank you. The next question is from the line of Suraj from Prithvi Finmart. Please go ahead.

**Suraj:**

All my questions have been answered, thank you.

**Moderator:**

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

**Parvez Akhtar Qazi:**

Good afternoon sir. Congratulations for a good performance in Q3. I have three questions. First is if you could update above the status of BDD Chawl Project. Second is what is the Capex in Q3 and what are your expectations for Q4 and FY2022 and lastly, what is our expectation on the working capital cycle front going ahead? Thank you.

**Rohit Katyal:**

Now coming to BDD first, the government has taken out a circular to speed up the project where the height of the rehab building has been doubled from 22 stories to 44 stories and all the underground car parks have been removed to make it multilevel car park which is known as MLCP. Now what this does is that the entire rehab portions the government wants to be completed in 4.5 years from the 0 date that is the handover of the first building as against 8 years earlier. It is a very positive thing and we do believe that substantial revenues on

consolidated basis in the SPV will be recognized from Q2 of next financial year. The rehab portion is already continuing at the moment in time but this initiative by the government and a GR is already in place, I will tell Amit my colleague to forward it to you, so it is a matter of time maybe in the next 10 days we should have the go ahead for this height of the building which means that the earlier buildings 77 or 78 of rehab will stand reduced to 29 to 30 buildings with the height in the floors. That is on the BDD site.

I can understand completely you are asking for Capex. The total Capex is approximately 40 Crores, majority of that going towards Oberoi, Piramal, and CIDCO. Your third point was you wanted some projection on Q4. As I mentioned to an earlier question you will see a substantial increase over Q3 in Q4 and the target for FY2022 this is the first and last time I am giving the target, because we want you all to compare us with the FY2020 performance and not the FY2021 performance, upward of 2,000 Crores is for FY2022. The working capital over the next two to three quarters as I mentioned last time you see a substantial reduction in the creditors, you are also seeing a reducing in debtors, and you are seeing a reduction in the gross bad debt also which means that our strategy of working quality clients is finally paying off and we do believe that by June quarter we should be at pre-COVID levels and by March of 2022 we should be pre ILFS debacle level. The pre-ILFS debacle levels were 56 days without retention and 72 days with retention. I hope that answers your question.

**Parvez Akhtar Qazi:** Sir on the Capex part, what I actually wanted is what have we done in the nine months? The 40 Crores that you mentioned that is target for FY2021 or FY2022?

**Rohit Katyal:** 40 Crores has been done till December including CIDCO alright, it is cumulative. The total Capex for CIDCO has been close to about 85 Crores and therefore as I mentioned last time also that would be spread over two calendar years.

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

**Alok Deora:** Good afternoon Sir and congratulations on great numbers. Sir I just wanted to understand the projects which have been removed from the order book, you mentioned about one project being of Oberoi and one another project. Is this the practice which we followed even before because earlier we have seen some projects maybe a Kalpataru project you removing from the order book because of the delay in payment, but in Oberoi Mall is it like from the client side we have been asked to renegotiate or if you could just elaborate on that?

**Rohit Katyal:** No, what I mentioned is as a practice slow moving orders are removed from the order book and whatever order book is intimated as a prudent practice it is a 100% executable order book. The Oberoi Mall has undergone design changes and therefore will have to be costed again and therefore why we have some order letter of award from the client it is normal if a design

change happens there will be negotiations and maybe because of the 2034 BSR even the area may increase and therefore the value will go up. Therefore, this is very different to the Kalpataru issue. Kalpataru issue made some mistakes on the payment front. Oberoi is one of the best clients on our portfolios and their debtor levels are nothing more than 40 days, so that is another case. The second order which has been removed is a Neelkanth phase 2. Phase 1 we have completed, phase 2 the client has not been able to start as yet and therefore obviously a four-year old pricing will not work and therefore that also has been removed from the order book. The third order removed is Kalpataru MIG. The client paid some money, after that has not been able to pay and therefore, we have removed that from the order book, so these are the three orders substantial of which we have removed. Out of these, we expect Oberoi Mall to be back in the order book let us say by first quarter of next fiscal that is an understanding, but ultimately will depend on the timelines for design completion and other statutory approval obtained by our client.

**Alok Deora:** Also wanted to understand like you mentioned one Kalpataru project was removed so typically when we do this, we end up losing some money or how do we take it forward from there if some project is removed and work is stopped?

**Rohit Katyal:** There are two aspects to that. Number one whenever we go to a client at a situation it is very clear that at least we at our end do not see a proper target available or a proper schedule available with a particular client and therefore there are two points to it, one is certified debtors, there is RA bill and second part is unamortized site establishment. The site establishment is either purchased in most cases like Arihant, which was removed last quarter, is purchased by the client, so the question of losing money does not arise. Yes, of course if your debtors are there and they are beyond 360 days then as per the stringent ECL guidelines as I have already mentioned we are close to 50 Crores and there are other additional provisions above 10 Crores so we have overall provisioning including ECL 60 Crores which is a substantial amount but 9.9 out of 10 times we have not lost money because of whole closure of project from our end.

**Alok Deora:** Just last question you mentioned about revenue guidance if I understood correctly it was around 2,000 Crores for FY2022 is that correct?

**Rohit Katyal:** Absolutely.

**Alok Deora:** So, the CIDCO would be around whatever run rate you mentioned if you just put at annual level it would be around Rs.800cr to Rs.900cr around that?

**Rohit Katyal:** Could be Rs.750cr, could be Rs.900cr then there are other projects, generally the target given out contains a substantial safety factor because the private sector order book 100% operational is total Rs.3,800 Crores. Now that has to be completed over the next 2.5 years so

there is substantial revenue which has to come from the private sector also, so it is basically distributed I will tell my colleague to forward a mail of the expected revenue project wise for the next fiscal.

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

**Parikshit Kandpal:** Congratulations on a very significant recovery during this quarter. My first question is in last couple of quarters we have been touching upon the payment issues and the suppliers asking us not giving any credit to us. LC also has been taken away and has been converted to fund-based limits, so now do you see the challenges are easing now and funding availability has improved or do you still believe that challenges will continue and it is the clients now who will basically have to reduce the debtor days and shorten the debtor cycle overall to match up with creditor side?

**Rohit Katyal:** Its something very dynamic, you are aware that the earlier credit terms were 90 days and at times 120 days. That supply chain as per my understanding is as good as over, so either you will open an advance LC for commodities or big-ticket size projects and the other terms will come down to maybe 30 to 40 days. It is here to stay because it is not in our hands as a general contractor, the problem is that there are a lot of payments held up of the small vendors at other places, so obviously they are not in the position to get extended project. Now this challenge more or less has been overcome. Second point you mentioned about the nonavailability of LC because it was converted into CC. 50 Crores plus of CC has been reinstated into LC and that is why you see a total reduction of 40 Crores in the gross debt as compared to Q2. So therefore LC available at the moment is 50 Crores and I believe another 30 to 35 Crores or thereabouts should be further available by January, February, and March, and we should be at pre-COVID levels by June quarter. So our gross debt level more or less 5 to 10 Crores or 15 Crores will be at the March level or maybe December 2019 level by June of 2021.

**Parikshit Kandpal:** Talking about the conversion basically that is rewinding now and going back to LC limits right?

**Rohit Katyal:** Absolutely because the point is no one wants to pay us 8% or 9% interest when today LC is available between 5.5 and 6.5 per annum. Secondly it is on debt, the cash flows are robust, even if you see in the current quarter as against 303 Crores, 272 Crores has been received and actually opposite to the popular belief that only CIDCO, we did not execute the project of Wadhwa Wise City in Q3 because the payments came in January and therefore we lost the revenue of 25 Crores. Oberoi OGC has just started this quarter on all tower area. The tower area will start this quarter and the average revenue from that project was 10 Crores, so basically 65 Crores was lost. About 60 Crores was lost on these two projects, so this is what

I am trying to say and at the end of the day any debtor or any client, not paying during the contractual period we have left with no choice and rightfully so who stopped over we cannot work in the pre-COVID fashion where we will wait for 60 days, 70 days. It is far too risky and we cannot disturb the improving working capital cycle by one or two such clients who choose not to pay and therefore any client not paying within the stipulated time, work will be suspended.

**Parikshit Kandpal:**

Second question was on your outlook on order booking about 3,000 Crores next year and 2,000 Crores of revenue next year, so when I look the real estate sector and the clients which you have are almost like marquee clients across the order book and when we are seeing uptake and we are talking about gaining market share and the kind of credential we have for high rise or super high rise is unmatched or unbeatable versus the peers, and also government ordering is expected to be very robust. You yourself has given the kind of bid pipeline there and when correlated with 3,000 Crores of inflow which is in terms of the private sector in the historical year and now government is going to add on top of it so does not this guidance look very conservative or you want to be conservative with the constraints on working capital side or funding side and getting limits that is why we are not chasing growth right now. So if you can just throw some color on that. Even on your revenue of 2,000 Crores, I counted it, about 900 Crores in coming from the CIDCO project you have very strong clientele on the private side, the order book quality is now improved significantly and it used to average about 1,500 to 1,300 Crores on a yearly basis from private, but here is only about 1000 to be done from private and I would also assume there are some other hospital orders which you have which will contribute the site that goes, so any government orders itself will be about 1200 to 1300 Crores in this 2000, so are we looking at only 700 Crores kind of execution from private?

**Rohit Katyal:**

As I mentioned as a policy when you have an order book of let us say Rs. 9,000 odd Crores, if you are even doing Rs. 2000, Rs. 2200, Rs. 2300cr it is not the question of limits, the bank guarantees have already been issued for these projects. The point is that you take something, there could be excess monsoon and thereafter, earlier we never used to give guidance, for this one year I am giving guidance, but then we have to take into account the monsoon, etc. Now the bid pipeline and the visibility from private sector no doubt has increased manifold but let us wait for the Q4 to get completed when we will have clear visibility from our existing clients and as you know that our projects inherently have the potential to add to the order book in the same location. So, we will revisit this at the end of Q4.

**Parikshit Kandpal:**

Last question was on the net working capital, you had said it is about 581 Crores as of this quarter, and obviously it is on a very low base for the numbers, if I convert to days it is slightly elevated, but do you think this is the peak WC days and in terms of Crores of value and if CIDCO ramp up happening it should reduce significantly because CIDCO has really an up tide once the advances coming and it should be near zero net working capital kind of a project?

**Rohit Katyal:** What happens generally is that you are ramping up operations. It was 300 Crores on a WIP basis that is an addition of only 32 Crores for this quarter which means earlier WIP got built around net basis only 32 Crore increase was there. I do believe there will be a slight reduction in Q4 there will be reasonable reduction in Q1 and there will be substantial reduction in Q2 for the WIP to go to the pre-COVID levels or even better, but I am sure over the next financial year we will be at the pre-ILFS or better situation than that. I think that is the best we can do but you cannot take away six to seventh months of COVID which we had to encounter. We have brought the people back the revenue has gone up, are we happy, no, we can do better and that is what we intend to do in Q4 and then move towards the growth path. Now simply put once you are at 400 to 450 Crores level it is automatic that your financial assets will reduce converting into higher revenue.

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

**Kirti Jain:** First of all congratulations for good recovery. Sir my question is with regard to our cost structure and margins. Given that we have dynamically moderated our cost structure and adopted according to our revenue and achieved good margins, can we expect this 16% to 17% margin, excluding of other income, which we have achieved on a subscale operation to sustain when the operations come on a full scale like 500 Crores scale which we achieve on a normal basis can we expect that pattern?

**Rohit Katyal:** Yes.

**Kirti Jain:** Okay, with finance cost under control, like as a percentage they will come down?

**Rohit Katyal:** It is because the order book is higher, government order book is there, now fortunately the guarantees in government have come down, both, central government and state government. We believe that in the next financial year we will have some positive impact from the guarantee, so if you see that at the end of December 2020 our bank guarantee within consortium has come down to 516 Crores which is a substantial reduction and the project specific limits of CIDCO and MCGM those limits are separate, so I do believe that the finance cost will be similar to the current year over next year, maybe slightly more if we receive 3,000 Crores of order book and therefore on a double revenue let us say when we did about 1,450 Crores in the last financial year that is FY2020 and if we have a 35% to 40% jump over that we believe as a percentage the finance cost will be much lower. Secondly you are aware that our fixed deposits with the bank are substantially high and over a year we earn about 16 Crores of interest income from that, so 16 to 17 Crores and if you actually net that out our interest outgo is very within control and most importantly except MCGM, none of the advances are interest bearing whether public or private. These are very important things to note.

- Kirti Jain:** Sir in the last quarter you had guided that 2023 we will try to be gross debt free, so we stand by our guidance?
- Rohit Katyal:** Absolutely.
- Moderator:** Thank you. The next question is from the line of Bharanidhar Vijayakumar from Spark Capital. Please go ahead.
- Bharanidhar:** Good afternoon Sir, just one little more granular clarity on the bid pipeline that you mentioned which is 40,000 Crores, you mentioned about 25% to 30% of it coming from healthcare, can you give the remaining of this pipeline what would be the broad classification would it be, how much of it is real estate, how much of it is affordable, how much of it is data centers if any?
- Rohit Katyal:** I suggest that I tell my colleague to send you the bid pipeline breakup. It is very difficult because the point is in government you have conventional centers, you have stadiums, all these are factories, and buildings, we classify under the same segment. You have a lot of PMAY projects, now in Mumbai PMAY has gone up to 32 stories so the point is that will classify in the government as an high rise, so as I said 40,340 Crores is the bid pipeline which the Capacit'e is eying. Actual bid pipeline from, let us say, L&T perspective could be 3 lakh Crores but being a small company, being a one segment company what we will be targeting is this bid pipeline thus the private sector 25,000 Crores which we can visualize, so giving further breakups, detailed breakups we will split into two for your convenience. About 25% is what we see from healthcare, another 20% from institutional, retail, commercial, and rest from residential including affordable.
- Bharanidhar:** Got it, so this pipeline we would target to bid in the near term or is it more like the next one-year pipeline?
- Rohit Katyal:** When we talk about a bid pipeline of 40,000 Crores these are the tenders which are onboard to be tendered over the next six months, this gets updated on a daily basis.
- Moderator:** Thank you. The next question is from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.
- Siddharth Rajpurohit:** Thanks for the opportunity. Sir in the government projects, the guidelines from the government was to reduce the retention money, so what could be the retention asked in the current bid pipeline?
- Rohit Katyal:** Nearly 40 Crores has been reduced in retention from 31st March 2020 level. Going forward it is different for different states. In Maharashtra MCGM has come out that earlier the



performance guarantee used to be between 3% to 5% and retention 5%, now they have restricted performance plus retention that is security deposit overall to be 5%. In CIDCO, the overall security deposit was 5%, 2.5% bank guarantee we had given earlier, 2.5% to be built up through RA bill which we believe will come down to 3% since the state bid guidelines have come. Similar for MHADA and MMRDA, so this is the case as far as the bank guarantees are concerned. In the private sector, I just mentioned in my previous answer, such robust order book let us say backlog 3,800, overall 6,000 Crores and only outstanding of 500 Crores it is self-explanatory on how the bank guarantees are being managed, so going forward we believe that the bank guarantee requirements will reduce. The government is committed to construction infra and if the government reduces and private sector does not reduce, people will move off towards the government sector that is normal, isn't it? Most importantly the government sector has become sensitive to timely release of payments. That is a very positive thing which we even in the COVID period be able to collect. So, the point is across the industry, again you cannot generalize two clients, I am talking about the good quality clients. Good quality clients give on time and therefore I do believe the guarantee requirements will come down going forward which will help us to book more orders in the coming financial years.

**Siddharth Rajpurohit:** Any long term target in terms of the share and the order book between public and private?

**Rohit Katyal:** Very difficult to say, before CIDCO came we were 80% private, now we are 60:40. Tomorrow we get another private sector of 500 Crores. It is dynamic, but generally we would like to have a healthy mix of public and private. We are obviously with God's grace whatever our operations have done one of the key contractors in the private sector, so Capacite has a very good brand record as far as private sector is concerned. In government, we would like to target at 400 Crore, 350 Crore plus projects because the competition below 250 Crores, 200 Crores is something which we would not like to focus on, so that is how the order mix will unfold. I cannot give any guidance as of today.

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

**Sagar Parekh:** Firstly, wanted to check on the tax rate for FY2022, what should we consider?

**Rohit Katyal:** The full rate is 25% and we are following the same, however, in the Q1 there has been a loss. We believe as a whole year we will not be having any loss, so the tax rate would not change.

**Sagar Parekh:** Since we are growing our revenue base by 50% for next year, the working capital in absolute terms should increase by at least 200 Crores right, so just wanted to check whether the absolute gross debt level should remain where it is or you think there should be some movement upwards in gross debt levels?

- Rohit Katyal:** Gross debt will come down.
- Sagar Parekh:** Is that because of this CC to LC conversion?
- Rohit Katyal:** Absolutely because that was the COVID issue.
- Sagar Parekh:** Right but in spite of the Rs. 2,000 Crores top line the gross debt will come down.
- Rohit Katyal:** No, we had a similar debt level of Rs. 260 Crores when we were doing Rs. 1,500 Crores revenue also. Point is you cannot compare FY20 especially for contractors like us who are restricted to urban areas because the intensity for the first six months in the urban areas was far higher than the rural areas, so do not think it is going to be 100% increase. You have to compare with FY2020.
- Sagar Parekh:** Understood. FY20 levels also 35% growth, still the debt levels will be maintained at FY20 level?
- Rohit Katyal:** We have been doing that for the last seven years.
- Moderator:** Thank you. The next question is from the line of V. P. Rajesh from Banyan Capital Advisors LLP. Please go ahead.
- V. P. Rajesh:** Thanks for the opportunity and congratulations on the good set of numbers and guidance. My question is on the labor side, can you give some color are you seeing them in plenty or that is becoming an issue as you see more and more construction projects coming up?
- Rohit Katyal:** No, that issue is behind us, that is over. You will have holidays coming up in March, you will have holidays for pooja coming in April that is the yearly phenomenon, but other than that it is going to remain good. What happened in June, July or May end and June I do not think and everyone prays it never repeats.
- Moderator:** Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.
- Kirti Jain:** My question is on the MHADA project, like how has been the progress and what we are likely to do in terms of our share of revenues?
- Rohit Katyal:** Sir as I told you that we also by March 31st we will be clear on the consolidation process whether the revenue can be added. We believe that the revenue can be added that is one part of it, but my team will clarify to you through a separate mail on this subject in a couple of weeks.

**Kirti Jain:** Not revenue addition, like internal project progress like we were adding a lot but our share of profit will any come?

**Rohit Katyal:** Absolutely, so I just mentioned that the MHADA project in an endeavor, the state has completed the project in 4.5 years from the 0 date. The main challenge that the department and the client or the state government was facing was open space. To counter this government resolution from the Housing Ministry has come that BDD Worli project with us under question under reference the height of the rehab buildings which was earlier 22 stories will be increased to 44 stories and of the double basements under all rehab towers will be removed and that will be converted into multilevel car park which means that we believe with the new GR in place our proposal has been sent. We expect the approval from the empowered committee before 25th of this month and thereafter in two months the project should start because we already have three lands available, therefore I do believe that the revenue build up should start on next financial year and thereafter for the next four years you will see 1,000 Crores per year.

**Moderator:** Thank you. We will take one last question is from the line of Nidhi from Alpha Alternatives. Please go ahead.

**Nidhi:** Congratulations on the good set of numbers. Sir I wanted to know about the depreciation policy of the company going forward and since we have projected revenue of upwards of 2,000 Crores in the next fiscal, how the depreciation is going to play against that?

**Rohit Katyal:** Depreciation comprises of two parts; one is the core assets and other part is the site establishment. The site establishment at the moment unamortized portion over the Rs. 9,100 Crores order book is 190 to 200 Crores. That will be written off on pro rata as 85% of the project are completed. It will be very difficult for me to give you a complete sense of understanding, so if you can send your e-mail ID to SGA, our IR team, we will be able to give those details. As far as the core block depreciation is concerned is close to about 10 to 12 Crores every quarter which means about 50 Crores over a year. I do not think that will change, that will continue for the next financial year. More or less my guess is that site establishment depreciation part will be close to 40 Crores or thereabouts, so you can safely conclude by the next financial year the depreciation would be 90 to 95 Crores, now please do not hold me on this I am giving you just numbers with my experience. I think my team will be able to put it in a more accurate manner and send it you.

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

**Rachit Kamath:** Thank you for participating in this Q3 and 9 months FY2021 earning conference call and we also thank the management for having given us this opportunity. Thanks a lot Rohit Sir and the team, any last comment Sir?

**Rohit Katyal:** Thank you everyone for joining on the call. We hope that we have been able to answer all your queries. For any additional information, we request you to get in touch with SGA, our investor relations advisors. Thank you and look forward to hearing you in the next quarter.

**Moderator:** Thank you very much. On behalf of Anand Rathi Shares and Stock brokers that concludes this conference. Thank you for joining us and you may now disconnect your lines.