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October 22, 2022

Corporate Relations Department
BSE Limited
Floor 25, P.J. Towers,
Dalal Street, Mumbai- 400 001
Scrip code: 540544

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
Scrip Symbol: PSPPROJECT

Dear Sir/Madam,

Subject: Transcript of Earnings Conference Call – Q2FY23

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our intimation vide letter ref no.: PSPPROJECT/SE/58/22-23 dated October 13, 2022, please find enclosed herewith a copy of transcript of Q2FY23 Earnings Conference Call held on Tuesday, October 18, 2022.

Kindly take the same on your record.

Thanking You,

For PSP Projects Limited

Kenan Patel
Company Secretary & Compliance Officer

Encl: As Above



“PSP Projects Limited
Q2 & H1 FY 23 Earnings Conference Call”
October 18, 2022



**MANAGEMENT: MR. P. S. PATEL – CHAIRMAN, MANAGING DIRECTOR
AND CEO – PSP PROJECTS LIMITED
MRS. HETAL PATEL CFO – PSP PROJECTS LIMITED**

**MODERATOR: MR. MEET PARIKH – ANAND RATHI SHARE AND
STOCK BROKERS LTD.**



PSP Projects Limited
October 18, 2022

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '23 and H1 FY '23 Conference Call of PSP Projects Limited, hosted by Anand Rathi Share and Stock Brokers. As a reminder, all participant lines will be in 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 star then zero on your touchtone telephone.

Please note, 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 the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. I now hand the conference over to Mr. Meet Parikh from Anand Rathi Share and Stock Brokers. Thank you, and over to you.

Meet Parikh: Thank you, Yeshashvi. On behalf of Anand Rathi Shares and Stock Brokers, I welcome everyone to Q2 and H1 FY '23 earnings call for PSP Projects Limited. From the management side, we have Mr. P.S. Patel, Chairman, Managing Director and CEO, and Ms. Hetal Patel, Chief Financial Officer. We'll start with the opening remarks from the management regarding the industry and the results, post which we'll open up for an interactive Q&A. Over to you, ma'am.

Hetal Patel: Thank you for joining our earnings call. Please note that a copy of our disclosure is available on the Investors section of our website, as well as on the stock exchanges. Please do note that anything said on this call, which reflects our outlook towards the future or which could be construed as a forward-looking statement, mostly reviewed in conjunction with the risk that the company faces. With that, I would like to hand over the floor to our MD, Mr. Prahaladbhai Patel for his opening statement.

Prahaladbhai Patel: Thank you, HetalBen. Thank you, moderator. Good evening, ladies and gentlemen. A warm welcome to each one of you and thank you for joining us on our Q2 FY '23 earnings call. I trust everyone is doing well. I believe you have got a chance to go through the investor's presentation uploaded on the stock exchange and website.

I will begin with the key highlights that took place during the second quarter. PSP Projects reported an overall good performance in an otherwise seasonally challenging quarter. We are happy to announce that PSP Projects have once again recorded highest ever order book till date of INR 5,081 crores in comparison to all previous H1. The company received the highest ever order inflow of INR 1,512 crores in H1 FY '23 as compared to INR 637.22 crores during H1 FY '22.

We are happy to announce that during the current financial year, the pattern of our orders is more towards institutional orders and only 7% of orders received from the government out of the total order inflow of INR 1,512 crores. Also, you will see a majority of the projects awarded during the current year are from the State of Gujarat.

Total 14 projects were awarded during the quarter, of which the major projects are; Corporate Office Building by a Project by a leading multinational company of value INR 290 crores; repeat order in Precast for National High-Speed Project from L&T of value INR 195 crore, Fore Court Development at Ahmedabad Airport of value INR 128 crore; repeat order to construct Phase II of Noodle plant by a leading multi-national company of value INR 115 crore; repeat order to construct the manufacturing unit by a leading pharmaceutical company of value of INR 99 crore, archaeological museum of value INR 97 crore awarded by Government of Gujarat.

During the quarter, we completed 10 projects. All the projects were completed in time. Total projects completed till date totals 196 projects. Three of the prominent projects completed are Medical college and hospital at Rajasthan, an EPC project of high-rise commercial building in GIFT city; corporate office building for Indian Potash Limited, Gujarat and four Precast projects.

As on 30th September 2022, the government project comprises of 56% of all the business verticals. As on date, we have 49 ongoing projects of these, 50% are based in Gujarat, 36% in UP, 14% in Maharashtra and 0.2% in Rajasthan. Bid pipeline going forward, we have a big pipeline of approximately INR 5,000 crores, of which 45% is from private projects and around 52% from the State of Gujarat.

An update on Bhiwandi and Pandharpur. We have two slow moving projects in total that is Bhiwandi and Pandharpur, which together contribute to about 14% of our outstanding order book. Rest of all of our projects are fully mobilized. Also, you must have noticed a decline in the revenue comprising year-on-year basis as well as the reduction in the margin. Work front issues during the monsoon time can be considered as a major reason for the decline in revenue during the quarter in review. All our projects in UP contributes to about 36% of our order book are at a structural level where projects progress was hit frequently due to this monsoon. Also, as we mentioned above, we are in the receipt of order of worth INR 1,512 crore during current financial year, major in Gujarat and those projects are either in basement level or at ground level, where monsoon disturbs the most in construction projects.

This year, Gujarat also witnessed an unusual heavy rains, which prolonged till September end. This impacted a huge at site by creating non-working condition and lower productivity. Simultaneously during the same quarter last year, as we were on the verge of completion of major projects like SDB and Kashi projects, where the structure was completed and we were executing mostly MEP and finishing work, which can be carried out smoothly in rainy season also.

Also due to the heavy order inflow during H1, company appointed and increased employee strength against which, the revenue decrease due to monsoon which really impacted the margins almost by 2%. We consider this as a seasonal effect and has come out from the situation and work on all projects are going from October onwards smoothly.



*PSP Projects Limited
October 18, 2022*

To summarize, this financial has been by far best year in terms of order wins but little weak in terms of execution in quarter 2, which will be surely improved in the coming quarters as we have entered into a season favoring to the construction segment. We are also confident and positive for the growth of infrastructure segment due to government's conscious efforts to accelerate economic growth through higher infrastructure spend and providing incentives to domestic manufacturing.

A pickup in private CapEx is adding to India's growth story. The softening of the commodity prices augurs, well for infrastructure companies with steel prices having declined by 20% from its highest of March 2022.

With this, I conclude my remarks and now I would like to hand over the call to Ms. Hetal, she will take us through the financials.

Hetal Patel:

Thank you, sir. The financial performance during the quarter ended September 2022 is as follows.

Q2 FY '23 versus Q2 FY '22.

Revenue from operations for the quarter is up INR 357 crores versus INR 390 crores, which is reduced by 9% on Y-o-Y basis. EBITDA for the quarter is at INR 39 crores versus INR 55 crores, lower by 29% on Y-o-Y basis.

EBITDA margin is at 10.83 % versus 14.02 %. Net profit for the quarter is at INR 22.95 crores versus INR 36.61 crores, which is lower by 37% on Y-o-Y basis. PAT margin is at 6.29 % versus 9.27 %.

The major reason of decline in revenue and margins have been briefed by P.S, sir in his remarks. During the quarter, the revenue generated from all UP projects put together was INR 84 crores during Q2 FY '23. Cumulative revenue till 30th September 2022 is INR 266 crores. Increase in other income is mainly attributable to reversal of impairment of loans to subsidiary company, PSP Projects and Proactive Constructions Private Limited.

As the subsidiary has repaid loan to the extent of INR 75 lakhs during the quarter and is expected to repay the balance loan, the impairment provision of INR 2 crores has been reversed during the quarter.

We'd like to mention a few important balance sheet numbers as on 30th September 2022. Long-term borrowing is INR 46 crores compared to INR 50 crores in Q1. Short-term borrowings is INR 111 crores which was INR 67 crores as on 30th June Q1.

Gross block of assets INR 351 crores, and net block, INR 197 crores. Additions during the quarter was INR 6 crores. Increase in inventory from INR 81 crores in March '22 to INR 114 crores as on 30th September '22, is mainly due to increase in work-in-progress by INR 30 crores.

Increase in current loans is mainly due to reversal of impairment on loan to subsidiary to the extent of INR 2 crores. Other financial assets has increased mainly due to increase in amount due from customers that is unbilled revenue, which has increased from INR 128 crores to INR 147 crores. This mainly consists of INR 35 crores for Kashi project and INR 24 crores of SDB project, for which the final bills are under certification by the client. Increase in other current assets from INR 92 crores to INR 176 crores is mainly attributable to increase in advances to vendors from INR 75 crores to INR 127 crores and increase in balance with government authorities from INR 11 crores to INR 36 crores.

Amount due to customers in advance billings is INR 31 crores which was INR 21 crores as on March '22. Retention non-current is INR 85 crores, which was INR 81 crores in March '22. Retention current, INR 36 crores, which was INR 33 crores in March '22. Mobilization advance, INR 141 crores, which was INR 136 crores in March '22.

Working capital days are as follows: debtor days are 72, creditor days are 71, inventory days are 29. Total net working capital days are 30.

Out of total credit facility of INR 1,047 crores, utilized limit is INR 645 crores, of which INR 85 crores are fund-based utilization and INR 560 crores is non-fund-based utilization.

As of 30th September '22, the company has total fixed deposit of INR 333 crores out of which free deposits are INR 116 crores. FD's worth INR 119 crores are under lien with banks for credit facility, and FD's given to client as securities amounts to INR 18 crores. Work on hand, as on 30th September 22 is INR 5,081 crores. A detailed bifurcation is as per the presentation.

That concludes the update on financials, and we are open the floor for question-and-answers. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer-session. Anyone who wishes to ask a question, may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to only use handsets, while asking a question.

Ladies and gentlemen we will wait for moment while the question queue assembles. We have a question from the line of Ravi Naredi from Naredi Investment.

Ravi Naredi:

Sir, we have so much order book of INR 5,000 crores, why our top line is less in Q2 when compared to last year? Any specific reason?

Prahaladbhai Patel: See, I already mentioned in my opening remarks that the major impact is only because of monsoon, as most of the buildings which we are doing in UP, that is covering about 36% of our order book that is the structure part and the monsoons in UP were prolonged till September end, that was one of the reasons. And the new order inflow of almost INR 1,500 crores, which comprises of our Adani Energy House, Moneyplant Junction, Vishwa Umiya Dham, Kharawala Ekaansh, residential Tower at Sky City, NIMS Core and Shell Building, and the Naranpura Sports Complex.

All these projects are in a way at the stage of starting that was they were at the foundation level, whether they're in the basement or they're at the foundation level. So mostly when the structure work is in -- previously also I have always mentioned the quarter revenue mostly depends on what type of activity in the quarter, profits are also affected by the activities which are going in that quarter.

So this quarter, this is matter of chance that most of the buildings were at the structure stage and very few buildings were at the finishing stage, which was the reverse case in the last quarter when Surat Diamond Bourse and Kashi was going on. So that has impacted to the top line. And this extends to the bottom line.

And bottom line is mostly impacted because the revenue was less and the expenses remained the same or the expenses little bit increased, because of the new staff we have taken for carrying out the new order book. So that all has included and affected the overall top line, and because of the season. And the profit margin is affected because of the expenses remaining the same and the revenues getting reduced.

Moderator: We have our next question from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: Sir, my first question is on the numbers. So first half, we have done INR 700 crores. So Y-o-Y is about just flattish. But our working capital has deteriorated. Just wanted a sense on why are we seeing deterioration in the working capital?

Hetal Patel: See, as sir has already mentioned, we have started this new project. And for that, it is still under excavation phase. And for that, we need to take the inventory and some work done, which is to be mentioned as a work-in-progress. So those are not yet been done, we need to spend for those projects. And till billing may not have started to that extent.

Yes, few mobilization expenses also we need to incur. For that, working capital is utilized.

Parikshit Kandpal: Because our share of government orders in the order book is increasing. So is it something to do with that the nature of blended working capital is seeing some deterioration because of the mix change as well?

Prahaladbhai Patel: No, it can't be considered that way. It is purely because of the stage of the work. And most of the projects when you start, it requires huge money in terms of mobilization and making the infrastructure required for the sites. And because of that expense being done in that first and the second quarter, that infrastructure getting converted into revenue till the end of the project.

Parikshit Kandpal: Okay. My second question is on, first quarter was impacted because of labor availability. Second quarter, there was extended monsoon. But now have the things normalized because we have a festive season during this October, where people go home. So how do you think the third quarter will pan out? And how will it impact your full-year guidance about 15% growth or closer to INR 2,000 crores of turnover because you'll have to make up for INR 1,300 crores of revenue in the second half, which will be a growth of almost 26% to 27% in the second half of last year. So how do you stand out there?

Prahaladbhai Patel: So there are two things to see here. So there are new build projects, which are in UP, where they are still at the structural level, but the finishing work of the buildings, which are already been done has already been started since last one month. And the MEP provisions, which are required MEP purchases, which are required for those projects are already been done.

So probably we have already initiated all these three activities, finishing, MEP and the plastering part. So I personally feel that there will be revenue, there won't be any much issue and this was only because of the rain. Because the resources were not only in the first quarter. And when the resources were available, we were not having that situation to start the project because it was open to start.

But now the situation is in under control and we have sufficient labor and I personally feel that we'll be able to recover that.

Parikshit Kandpal: And what about the guidance, will you be able to do INR 2,000 crores of turnover this year?

Prahaladbhai Patel: Of course, we'll be able to do.

Parikshit Kandpal: Okay. The last question, sir, on these projects. So the EWS project and the Uttar Pradesh Medical Colleges. So what kind of margins do you expect you can make on these projects now because these two are the large part of the order backlog? So, if you can update us on the EWS projects, how is the legal update -- any legal update you have? And on the medical colleges, what kind of margins do you think the residual order book has?

Prahaladbhai Patel: Margins as we have already said that it has never been impacted because of the medical college or the situation in UP. In this quarter also, as I mentioned, it is impacted 2% largely because of the overheads remaining the same and the revenue being not generated because of the situation of season. So probably there won't be any impact much on the margin because of UP. And secondly, the question was about EWS Bhiwandi, yes the hearing was lastly done. And again, the new date which is given is 21st November now to hear on the arbitration part.

- Moderator:** We have our next question from the line of Navid Virani from Bastion Capital.
- Navid Virani:** I had two questions. One was related to, you mentioned in your opening remarks that there was some augmented hiring, which was done and the revenue did not grow in-line with that. So just wanted to understand as to when things normalize, can we expect the cost to normalize to around 4% level, 6% revenue?
- Prahaladbhai Patel:** Yes, because in this quarter only, we'll try 6%, 6.5%, but probably we go in the same pace also, at the end of the year, we'll be in the range of 3.5% to 4%.
- Navid Virani:** That's helpful. And sir, last one, I just wanted to understand that the borrowing and as a result, finance cost has started to climb up, so just wanted to understand as to are we refraining to take mobilization advances and taking that to fund the projects initially, is that the case?
- Hetal Patel:** See mostly our new projects will be with mobilization advance, and also definitely, it will be streamlined. Currently, we are using this working capital for the new projects and all, but once the formalities and everything is over, mobilization advance will be coming for the fresh projects. So that we'll be utilizing in this current quarter.
- Navid Virani:** And ma'am lastly, if you can just again mention the number of pledged FDs with the bank?
- Hetal Patel:** Yes. I had mentioned a total number of FDs at INR 333 crores, and out of that the FDs pledged with the bank is INR 199 crores. And a total three FDs, with us is INR 116 crores. So, if you see, we are utilizing those fund based limit because we don't want to break these FDs and all. So the company has the surplus funds available to use, instead of using working capital, but as a prudent policy, we are for a temporary time, we are utilizing working capital limits.
- Moderator:** We have our next question from the line of Shravan Shah from Dolat Capital.
- Shravan Shah:** Sir just again coming back to the execution part. So, now as you are saying, the execution is now on the smooth and monsoon is kind of over, so for the third and fourth quarter, how much? So, I think last time, we said around INR 2,200 crores revenue and just now you say INR 2,000 crores. So for the full year, how much we are looking at? Because we were talking about 22%, 25%. So, that was around INR 2,200 crores revenue we were looking at. So now how much we can easily do for this year?
- Prahaladbhai Patel:** I have not said INR 2,000 crores. Parikshit asked me that we'll be able to reach to INR 2,000 crores? So he mentioned about INR 2,000 crores. Yes, we have still promised about INR 2,200 crores and our projection planning and the internal planning still maintains at the INR 2,200 crores and we'll try to reach to INR 2,200 crore.

- Shravan Shah:** So from this quarter, we can, so that means we need to do close to INR 1,500 crores kind of revenue in second half. So, can we see INR 600 - 650 crores plus from the third quarter itself, so that the fourth quarter should not have a significant pressure in terms of INR 1,000 crores?
- Prahaladbhai Patel:** Yes, of course, we have to do and that is there in our planning for this quarter.
- Shravan Shah:** That is great thing. And in terms of the margin, as you mentioned now once the execution will be normalized, so the employee costs will be coming down. So we would be, again, back to the 12% plus kind of margin?
- Prahaladbhai Patel:** Yes.
- Shravan Shah:** Third is on the order inflow. So, INR 1,512 crores we have received, plus the latest INR 345 crores government Gujarat order. So, that if we add, so we have close to INR 1,857 crore order inflow, so how much more now we are looking at?
- Prahaladbhai Patel:** We still stick to our order inflow target of INR 2,500 crore.
- Shravan Shah:** Okay, INR 2,500 crores. So are we L1 or anything, any specific order that you think likely to be open bid in next two months?
- Prahaladbhai Patel:** No, whatever we were L1, we've already dictated that Shravan. But there are few projects still to come, which is will be in a large scale. And probably still we are having six months of journey from here to end until March 2023. So, adding on further INR 1,000 crores from here will not be a big task. Even if that L1 status is converted to order, we've already reached to INR 1,800 crores. So we will require further INR 1,000 crores inflow till March which is, I personally feel is not that much big task and within that period, if we get the larger opportunity to go beyond that, that can also be seen, but presently, I'm saying that we will be easily reaching to INR 2,500 crore.
- Shravan Shah:** Okay. That's great. And then further, in terms of other large projects, so we mentioned the INR 5,000 crores bid pipeline. So last time also said a couple of INR 1,000 odd-crore kind of project is there, so Surat and Mumbai, gems and jewelry. So, anything specific you want to highlight, when the bidding will be done? When can we see the outcome?
- Prahaladbhai Patel:** The Surat, bidding is already completed. But somewhere by bad luck, only single tender of PSP has came. So probably the Surat Municipal Corporation will go again for bidding within maybe next week. Let us see how it goes beyond by end of this month. But presently, we already bid that tender and it was only a single tender, so I personally feel, this is cancelled. We haven't received any news from them.

But probably, single tenders are usually rejected by the department at first level and single tender at second stage, they may consider single tender also. But as of now, we are not sure what they will decide, but even if they go for re-invitation of tender, that will come within next week.

Moderator: We have our next question from the line of Piyush Jain, an individual investor.

Piyush Jain: Sir, just wanted to check this margin decline in this current quarter because of monsoon, what you are saying is whatever around 11% to 12%. Is it a one-off? And will again close the year and next one or two years in the trajectory of 14% of margin which we have achieved in 2022?

Prahaladbhai Patel: No, 14% we say that is in general not achievable all the time. Usually say it is in the range of 11% to 12%. And we will be reaching to that level and we'll be trying to maintain that level. Because 14% what we reached was special case and as I said, it depends on that quarter what type of activities are there and what level of projects are going on in those activities in that quarter.

Piyush Jain: So you have given a target of around 12% to 12.5%, correct?

Prahaladbhai Patel: Yes.

Piyush Jain: Okay. Sir, the next question is that one or two times in this call, you have mentioned the Central Vista opportunity when you said that if you completed that Surat Diamond Bourse project, then you will have a eligibility to bid for higher projects. So anything work down on that scale, sir? Central Vista or any other big project? Maybe you're not bidded or maybe you're just evaluating?

Prahaladbhai Patel: So the bidding on that client only, after completion of Surat Diamond Bourse, the project which we have bidded for Surat Municipal Corporation is INR 1,080 crores. And that is based on the criteria only where we have got this opportunity to bid for such a large project. And as far as Central Vista is concerned, till now, there is no tender from the date when we have received that certificate from Surat Diamond Bourse, none of the large projects has been announced at Central Vista level till now.

Piyush Jain: Any other opportunity after you becoming eligible for bigger projects after the Surat Diamond Bourse, PSP are evaluating?

Prahaladbhai Patel: No. Not to the scale which you are thinking, which is more than INR 1,000 crore or INR 1,500 crore has been announced.

Piyush Jain: Okay. Sir, what is your overall outlook, the way you would be seeing if the projects are being started, evaluated of what you are bidding? What is the outlook you are seeing overall? Not about the quarter or per se something, maybe a one- or two-year outlook wise, how is the activity going on?

- Prahaladhbhai Patel:** Overall outlook, as we always strive and always try to achieve is about 20% to 25% of growth, and each year, we should lend to a minimum order book of additional further 20% to 25% of order book, keeping to the revenue, that can put us all the time to outstanding order book of more than INR 5,000 crores, which is more than sufficient for next one, one and half year.
- Piyush Jain:** And sir, you said the INR 1,000 crores still expected in H2, so let's assume this INR 5,000 crores will become INR 1,000 crore, INR 6,000 crore, and then out of this INR 6,000 crores, there will be an execution of around INR 1,200 crores to INR 1,300 crore. So are we saying, we'll close the year around INR 4,800 crore or INR 5,000 around or you will have a higher order book by the end of March '23?
- Prahaladhbhai Patel:** This time, it is an effort that usually first two quarters, we do not get so many numbers of order. But we said, this has happened for the first time in our five years. So, we have already reached to INR 1,500 crore, plus the L1 that is INR 1,800 crore, so probably, if we get a good opportunity, we can go beyond INR 2,500 crores, but presently, I look at INR 2,500 crores minimum.
- Moderator:** Ladies and gentlemen, in order to ensure the management is able to answer all queries. Kindly restrict your questions two at a time. We have a question from the line of Agam Shah, an individual investor.
- Agam Shah:** Can you repeat figures for your debt equity? How much debt is there in your balance sheet, including your working capital debt?
- Hetal Patel:** Yes, sure. See, as I mentioned, our long-term debt is INR 46 crores, which mainly includes equipment loans and one mobilization finance, which we have from our UP projects and short-term debt that is CC and other working capital requirement is INR 111 crores.
- Agam Shah:** Okay. And how was this figure last year, same quarter?
- Hetal Patel:** Yes. Last year, the long-term debt was INR 50 crores, and short-term debt as on March '22 and short-term debt was INR 67 crores. So if you see, the short-term working capital limits has been utilized up to INR 111 crores from INR 67 crores.
- Agam Shah:** And you see this figure more increasing?
- Hetal Patel:** Yes, it may not be increasing, because see, like normally, our range is between INR 60 crores to INR 80 crores, maximum up to INR 90 crores, but this we have already mentioned that since a few of the new projects are at the state of starting of the project, we need to finance, we need to expense for whether it's mobilization expenses, like labor colony and all other major expenses. Until then, we might not have received the mobilization advance, as some formalities need to be completed for these new projects, so that's the reason.

- Agam Shah:** Okay. And on the Pandharpur and the two projects, which are stuck. So any update on that, let's say, the hearing is postponed. So what is the road map ahead?
- Prahaladbhai Patel:** You see, we are waiting the court to decide on the arbitration, as far as BNMC is concerned. Once we are awarded the arbitration, then the process of arbitration about our claims related to what we have spent on the project will start. And on the Pandharpur side, we've seen nothing has happened, we are just sent a notice for the due payments, which we have been long term due. So, they have not replied to that, our notice to the Pandharpur Nagar Palika.
- Agam Shah:** So INR 700 crores is the size of the two projects, right, totally?
- Prahaladbhai Patel:** INR 550 crores and INR 150 crores, yes, INR 700 crores. You're right.
- Agam Shah:** That includes INR 5,000 crores, right? Or INR 5,000 crore is...
- Prahaladbhai Patel:** Yes, that is included in present outstanding amount, you are right.
- Agam Shah:** And projection for this year internally, does it include any work coming from these two projects, or is without this?
- Prahaladbhai Patel:** No, we are not considering that those projects will start further. And we have not considered any revenue for the projection of this year.
- Moderator:** We have our next question from the line of Chintan Sheth from Sameeksha Capital.
- Chintan Sheth:** Sir, one book-keeping on the pending orders as on September. The Adani residential project, the total contract value last quarter was mentioned around INR 499 crores that has revised down to INR 359 crores this quarter. Just wanted to check what has led to that? And second question is on, as you mentioned, the execution will pick up, but the INR 5,000-odd crore of bid pipeline, what are our targets for next year given that if I remove the INR 700 crores of orders of the Pandharpur and Bhiwandi? And this year we are looking at INR 2,500 crores and INR 2,200 crores of revenue, the next year asking rate will depend on the order inflow of next year, right? So, if you can guide what are the guidance we are working on for the next year?
- Prahaladbhai Patel:** Yes. Okay, first question was related to Adani Real Estate, that order value has been reduced from INR 349 crores to INR 200 crore, that's what your question was?
- Chintan Sheth:** Yes. Project value was INR 499 crore, it has reduced to INR 359 crore.
- Prahaladbhai Patel:** Yes, The INR 150 crores order has been canceled because there is a change in design of the overall pack. So that order is no more now in the order book, and it is not part of our INR 5,000 crores order book also, we have already made that change. Now that order may come or may

not come after design change. And second question was related to order inflow for the year, am I right?

Chintan Sheth: Yes, right.

Prahaladbhai Patel: So order inflow, I've already said that we have targeted about INR 2,500 crore, out of which we have reached to INR 1,512 crore-plus the L1 status, if it is converted to orders, we are already INR 1,800 crore-plus. So we'll be easily reaching to the order inflow that we have projected for this year.

Chintan Sheth: I was mostly talking about next year order inflows? Any...

Prahaladbhai Patel: Next year order inflow, again as I said, that whatever revenue you can generate, and if you can add on your order book to more than 25% of the revenue of the previous year, that's what we've always target for.

Moderator: We have our next question from the line of Prasanth Gopal from Spark Fund.

Prasanth Gopal: Any color on margin impact due to commodity price movements?

Prahaladbhai Patel: Presently, we don't see any impact on margins, as of now, because the steel, cements are reduced to a large extent, and it has become steady, so as such, no much impact should come on the project.

Moderator: We have our next question from the line of Balkrushna Vaghasia from Axanoun Investment Management.

Balkrushna Vaghasia: The first question is related to like, as you said, the PSP was the only bidder for Surat Municipal building, right?

Prahaladbhai Patel: Yes.

Balkrushna Vaghasia: And do you think the process of tender allotment will get completed before the Gujarat election is declared?

Prahaladbhai Patel: I think now, it is a little bit difficult. If the tender could have somebody else has also bid for the same project, because the BQ criteria has been a little bit strong. So I think one or two companies, other companies are getting qualified, but none of the companies have put the tender. So probably, even if they give this minimum one week time, so before election, if the tenders are floated, it can at least the process of tender can be over. So awarding the contract, I personally don't see that fast we can move.

Balkrushna Vaghasia: Okay. And what is the project deadline for UP Medical College project?

- Prahaladbhai Patel:** Deadline for project, we already -- some of the projects will be getting mostly completed by March. And some of the projects are getting towards June to August.
- Balkrushna Vaghasia:** March and August next year, right?
- Prahaladbhai Patel:** Yes.
- Balkrushna Vaghasia:** Okay. And as you say that workforce has been increased, right, in comparison of last quarter?
- Prahaladbhai Patel:** Yes. It has already been increased from the July, August onwards. But July, August was a very heavy rain and continued till September, that's the major impact on the project.
- Balkrushna Vaghasia:** Do you have any rough number regarding the percentage increase in workforce, like number of employees increase?
- Prahaladbhai Patel:** Probably, I'm not having the exact number, but usually, when it was the crisis of labor, it is almost 30% to 40% of labor available towards average number of labor available. So it should be in the incremental of around 60% to 70%.
- Balkrushna Vaghasia:** And are we completely out of Surat Diamond Bourse project, right? That is 100%, right?
- Prahaladbhai Patel:** We are completely out. We are at the verge of completion of the final accounts as of now.
- Balkrushna Vaghasia:** And the last question, what the amount madam said about regarding unbilled revenue for March '22 and September '22?
- Hetal Patel:** Yes. March '22, it was INR 128 crores and as on 30 September, it is INR 147 crores. And I already said that this mainly comprised of the two completed projects, for which final bills are still pending for certification. And that is INR 35 crores for Kashi and INR 24 crores for Surat.
- Moderator:** Thank you. Reminder to participants to press star and one to ask question. We have our next question from the line of Abhishek Basumallick from Intelsense Capital.
- Abhishek Basumallick:** Sir, can you give me some updates on how your precast facility is doing and what kind of benefits you are deriving out of it?
- Prahaladbhai Patel:** The precast facility, we already said that now we are getting, as and when we are doing one or the other projects, we are getting more and more inquiry from different types of structures. So first thing, which we did on our own industry. Then we got an order of one industry within Ahmedabad, and then we got six orders for making godown's, warehousing facility for Godwitt.
- In terms of infrastructure also L&T, first gave us an order of about INR 50 crores to INR 60 crores for making the substation infrastructure which is required at the bullet train and later they

gave us order of INR 190 crores for making precast elements on the track of the bullet train. So yes, I can say that the day by day...

Abhishek Basumallick: Q1 roughly, it was about INR 30 crores the work was there. In Q2, can you give us some kind of numbers in terms of what happened?

Hetal Patel: Yes, it is around INR 20 to INR 25 crores. But see mainly we are using for L&T as precast sale. We are also using as a backward integration for certain other projects, some small quantities are transferred to other projects also. So, if you look at precast going forward, it will be a cost center, and we'll be supplying the material to other sites also in addition to such L&T type of infra project that also will be part of precast use facility.

Prahaladbhai Patel: See now what is happening, one factory we are doing at Sanand. Once we started the project, then want to understand the plant and they come and visit the plant, they also convert some of the things into precast.

So some of the things get converted from our original orders of casting schedule in precast to speed up the project. So those types of additions that will always be added within the projects. Suppose we are doing one project for Torrent and their compound wall was previously not precast, now we are doing that for precast also. So such types of...

Abhishek Basumallick So basically in the precast will we be getting increased margin going forward for our existing projects, because we are using precast or is it that, we will be able to deliver faster? What is the benefit? Because we're putting so much CapEx and I'm trying to understand what is the tangible benefit that we are getting out of it?

Prahaladbhai Patel: You're right. As far as the existing project is concerned, we try to use precast to speed up the project at times. But once this precast becomes the type of technology, which has been universally accepted one, two or three projects are done completely.

As I said, we have done one industry of our own factory, then we did one more factory. So looking to those factories, now we are getting orders for warehousing facility. We are also getting some of the orders of our industry, our projects which are industrial, getting converted into precast. So it is both ways.

Once the technology is accepted and we are doing for other person that can improve our margins depending on the timeline required from the client side or it can speed up our project also if we did the requirement from client and if it's a specific requirement from client, that can improve our margin also.

Abhishek Basumallick Okay. And sir the last question that I have is, this quarter, you said we roughly added about INR 1,500 crores of new orders. How much is price in that and how much are like variable pricing?

And because raw material prices are going down, should we expect higher margins going forward in these price contract?

Prahaladbhai Patel: I think major order which I can say is mostly the private sector from Ahmedabad and in Gujarat. So, almost all the projects are carrying price escalation or price pass through. Except I think the only order of Sports Complex which will be as per RBI index.

Moderator: We have our next question from the line of Jay Shah from Capital PMS.

Jay Shah: Congratulations to the management for a good set of numbers. Sir, I wanted a general idea if you can give now that we have been elevated to the next level and we can bid for the project up to INR 2,000 crores and above. What will the strategy of the management be going ahead? Will we now start bidding only for bigger projects or it will be a blended mix of smaller and medium projects also, because maybe the completion time and realizations are sometimes better than the smaller projects also? So what would be the strategy of the management going ahead if you can throw some light?

Prahaladbhai Patel: See, our strategy is still the same that where PSP is getting more and more appreciation, in terms of order at the same time maintaining the bottom line also. So as we say private sector where the competition from INR 50 to INR 200 crores is niche, where the last company do not want to participate. Then we have a better range of as an organized contractor in and around Ahmedabad or in Gujarat.

So up to INR 200 crores. Yes our main segment shall be private sector and when we talk about government sector there till INR 500 crores, there is a huge competition between the local players. So beyond INR 500 crores shall be the right target for PSP, where the qualifying criteria's are high and the competition is again niche because of the large companies like L&T, Shapoorji, Tata or NCC, these four or five companies getting qualified beyond INR 500 crores.

So these will be the two areas, which we should target and we have been doing the same since last few years and that should be the futuristic target also to maintain our the top line and bottom-line growth.

Jay Shah: And sir, second question was do the company plan to get into even the road construction because a lot of infra push is there on the roadside also? So is there any --

Prahaladbhai Patel: No, we haven't ever thought about going into any infrastructure projects. We'll try to remain in this segment either just in the building line probably as a contractual firm not even into developing business nor into the infrastructure business.

Moderator: We have a question from the line of Rushabh Shah from RBSA Investment Manager.

Rushabh Shah: Just want to understand from an industry perspective, next two, three years, since PSP has been historically have known to achieve various milestones and the current macro environment can we assume that the best for PSP is yet to come? And if you can share some pointers what gives you that confidence it would be really helpful? Thank you.

Prahaladbhai Patel: So there are two things. Previously we were known in the industry for civil and architecture finishers, then we have entered into MEP, then we have entered to design build. So that's the USP of PSP that each year we have grown to a scale where we are getting more and more opportunities of EPC and design build projects.

Secondly, after completion of the Surat Diamond Bourse, we have also got that enough confidence and capability to execute large projects. So that is also giving us a better benefit in terms of internally, yes, that we have completed that project in time with a specific requirement of quality on such a large project.

So we'll be able to execute a large project and capabilities are already grown within the company. So these are the two things which we in future also, we have done some of the projects and still we are doing every year about INR 50 to INR 100 crores of interior.

So any project from design build, civil, MEP and interior, these are the three lines where we can go ahead and most of the clients now want to work with a single-point responsibility and we have a better edge that we are into all the three fields of building construction.

Moderator: We have our next question from the line of Mahek Talati from YellowJersey Investment Advisors.

Mahek Talati: Sir, how much is the capacity utilization for the precast factory which we have?

Prahaladbhai Patel: Presently on an average, the concrete quantity which we are executing is in the range of 80 to 90 cubic meters per day. It should be minimum I would say on average, it should be between 150 to 200 cubic meters. So I think we can say presently it is 50%. But probably, once we enter into large size buildings, we will be able to achieve the 200 cubic meter per day.

Mahek Talati: Okay. And that would translate to 90%, 95% kind of utilization?

Prahaladbhai Patel: Yes.

Mahek Talati: And do we have any CapEx planned for this particular segment going forward?

Prahaladbhai Patel: Presently, we have already planned some of the CapEx as we have got order from L&T which is only an infrastructure the major facility is already ready. But there are a few things, which we have to invest on the mold side which is specifically requirement from L&T. So that will be the only CapEx, which we'll decide. Further for building, the facility is almost ready.

Mahek Talati And sir with respect to Central Vista initially like around three quarters back we were quite bullish on getting some orders from there and they are also announcing a couple of tenders. Now what has changed between then and now, apart from the fact that we got a bit delayed with the Surat Diamond Bourse execution, because of COVID, but otherwise, has anything else changed in that particular respect?

Prahaladbhai Patel: See, as far as Central Vista is concerned, yes you are right. We have bid at times for that PMO Executive Enclave. But at that time we could not submit the certificate which was required by the client and then that certificate once we received. Then after the tender was announced and at that time most of the new projects were starting.

So we didn't bid for that project. But yes, that was the only project announced of INR 1,200 crores since I think almost eight to nine months. So no other project has been announced after overall this development which is going on is earlier, we have reached to about INR 6,000 crores out of INR 18,000 to INR 20,000 crores.

So probably there must be some issue at that Central Vista level, why they are not putting more and more tenders. So as far as PSP is concerned nothing has changed. But that opportunity to bid for that project, large project have never been announced since last six to eight months.

Mahek Talati If they come up with a further announcement, do we plan to bid for that or have you moved on?

Prahaladbhai Patel: Again, because we have this year, we have already reached INR 1,800 crores of order, but then the target is not more than INR 2,500 crore minimum. So, if you get a better opportunity in and around, and Ahmedabad or within Gujarat probably our order book is more than what we have planned. We may not bid for those projects also. So, it depends on the opportunity, which we are getting within next three to four months.

Mahek Talati And sir as you mentioned earlier that in the first two quarters, it's not usual for any construction company to receive, so much of orders and we are already doing such good numbers. If we get a chance of getting more orders, will we accept them or will we stop after INR 2,500 crores if we get this year's number?

Prahaladbhai Patel: At least we should say that the target which we have set is about INR 2,500 crores. It can go up to INR 3,000 crores or INR 3,000-plus crores. That is more than for ourselves to stretch ourselves to the execution stage. So till INR 3,000 crores, there is no point in saying no. But, yes, minimum target is INR 2,500 crores and maximum can be INR 3,000 - INR 3,200 crores, which is sufficient for the companies to manage as per the past experience what we have done.

Mahek Talati And sir do we plan to take any orders from outside India as well like previously we have worked in the US with the subsidiary. Do we plan to do that any time in the future?

Prahaladbhai Patel: No, we have no plans to go overseas.



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Moderator: We'll take our last question from the line of Jainam Shah from Equirus Securities Private Limited.

Jainam Shah So, just wanted to understand from the CapEx front. As we have received the order inflow of around INR 1,800 crores including L1 order and all these projects are about to start in the near to medium term. So any kind of incremental CapEx that we would be required to do apart from our regular CapEx for these kind of projects and further order inflow for this FY '23 and '24?

Prahaladbhai Patel: As such there is no planning of going for that CapEx. In general, we always end up at 3% to 4% of the revenue. So till now we have not made any large CapEx within the six months. So that can be within the range of INR 35 crores to INR 40 crores which is yet to come.

Jainam Shah And sir, on the UP Medical projects as we have done around INR 85 crores work during this particular quarter and around more than INR 1,000 crores is yet pending. So what could be the run rate that we can expect for upcoming three to four quarters as our deadline would be nearing and our execution and our overall revenue target is also higher for upcoming quarters. So what could be the run rate from this UP project for upcoming quarters?

Prahaladbhai Patel: So now what we are saying is next March onwards, our project should start completion depending on the status of the project at each medical college. So from March to August even if you consider so it is a journey of about two quarters this year and next one or one and half quarter next year. So we should be in the position to maintain our INR 250 crores to reach to INR 1,000 crores achievement which we want.

Moderator: So there are no more questions. I would now like to hand over the call to management for closing comments.

Prahaladbhai Patel: Once again thank you everyone, for joining us and your continued support and trust on us. We hope that we have been able to address most of your queries. In case of further queries, you may reach out to our Investor Relation Advisor E&Y and they will connect with you offline. Thank you meet for hosting our call. Wishing you all a happy Diwali. Enjoy the festival. Thank you and God bless you.

Hetal Patel: Thank you, everyone.

Moderator: Thank you. On behalf of Anand Rathi Share and Stock Brokers, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
