

Ref No: PSPPROJECT/SE/16/21-22

June 21, 2021

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: Earnings Conference Call Transcript- Q4FY21

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our earlier letter vide ref no: PSPPROJECT/SE/09/21-22 dated June 14, 2021, please find enclosed copy of transcript of Q4FY21 earnings conference call held on Friday, June 18, 2021.

Kindly take the same on your record.

Thanking You,

For PSP Projects Limited


Mittali Christachary
Company Secretary & Compliance Officer



Encl.: As above



“PSP Projects Limited Q4 FY ’21 Earnings Conference Call Hosted by Dolat Capital Markets Private Limited”

June 18, 2021



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

MODERATOR: **MR. SHRAVAN SHAH – DOLAT CAPITAL MARKETS PRIVATE LIMITED**



*PSP Projects Limited
June 18, 2021*

Moderator: Ladies and Gentlemen, Good Day and Welcome to PSP Projects Limited Q4 FY '21 Earnings Conference Call hosted by Dolat Capital Markets Private Limited. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shravan Shah from Dolat Capital. Thank you and over to you, Sir.

Shravan Shah: Thank you Aisha. Good Afternoon everyone, I would like to Welcome you all for Q4 FY '21 Results Conference Call of PSP Projects Limited. We thank the Management for giving us the opportunity to host the call. From the Management, we have Mr. P.S. Patel – Managing Director and Mrs. Hetal Patel – CFO.

Without wasting much time, I would now hand over the floor to the Management for their opening remarks and then we can have a Q&A. Over to you PS Sir.

P.S. Patel: Thank you Shravan.

Good Evening Ladies & Gentlemen, this is P.S.Patel, Chairman, Managing Director & CEO of PSP Projects Ltd along with Mrs Hetal Patel (CFO), welcomes you all to this Earnings Conference Call which is focusing on our company's performance in Q4 FY 2021 & probably FY21 also I would say.

First of all, hope you all are safe at your place and do take care of yourself.

Before we move to the financial statistics & performance of last quarter & Financial Year, I would like to throw light on few of the key developments of this quarter & year

From the revenue side, Company has booked revenue from operation of Rs. 1240.86 crores, which is about 17% less compared to year-on-year. Simultaneously, we compared the working environment year-on-year, we all know this year has been the big challenge to all industries throughout the nation and throughout the world, and construction industry was also one of the major impacted one. At the start of the COVID last year, the first quarter miserably impacted in operation, and we could hardly achieve some number. At the end of the first quarter, we were expecting flat revenue but as the work would assume by July or August was practically prolonged till end of second quarter.

Also our expectations of some of the slow-moving projects to resume just at the end of August, which could not happen for projects like Bhiwandi, IIM old campus, Sabha Hall, Swaminarayan which eventually got cancelled at the later stage because of the death of the Swami. These all three projects amounting to about 900 crores which made us our revenue fall short to flat which we were expecting, but still looking at Rs. 1240 crore revenue, we feel that our Company has

still done better at the time loss due to Corona is almost 50%, but revenue loss compared to the last year is only 70%, which itself speaks about Company's strong management, growth sustainability in the hard times, and giving us the confidence to do better and better.

About debt guidance, debt has reduced as we could control our overheads to almost half in first quarter, but first two quarters, no big revenue was moved has impacted the bottom line by about 1.5% as there were several expenses to maintain labor for first two months before migration and later to get them back from their home State and after COVID also to resume work fast, we have to manage transport and all which cost in total to the Company was about 4 crore impacting on the bottom line.

Also this year we have booked some losses by subsidiaries to extent of Rs. 6 crore, putting all this together total unexpected expenses was about 10 crore which has impacted the overall debt landing at 6.4% which is about 1.5% less to the previous year.

Order book:

At the end of FY '21 Company stands with robust and highest ever order book of 4120.97 crore, I would like to admit here that out of these order book there is a portion of 17% that is about 730 crores. As the work is not progressing due to clearance issues and other hindrances, remaining 83% of the order book is fully mobilized and work has started.

Regarding precast factory, our precast plant we have spent about 59 crores till now and the plant is almost ready and probably shall commission the same in the first week of July which was expected to commission by May but due to the second wave of COVID it has got prolonged. About US subsidiary, this have also extended beyond expectation due to COVID and strict guidelines of real estate commissions, but slowly now things are shaping up and we have got some main approval from the city to which took a very long time, but now things are getting shaped up in getting the further approval.

Surat Diamond Bourse, Surat Diamond Bourse project is on the verge of completion, and we have already billed more than 1400 crore on the project, in fact client have also started giving possessions to end users in some of the towers for the fit out. Entire scope of work including civil, energy, and façade work is completed, and some portion of façade work is completed, only few works lie, club house, compound wall, and ground floor, lobby interiors where we are waiting for some clearances from the client side, so they have got delayed to an extent of about two months. UP Medical College and Hospital; about UP Projects our all designs are submitted and are getting approved one by one. We have also mobilized plant, machine, and manpower at the site during the challenging times of second wave. This has been positioned to start work by first week of July onwards from all projects one by one as designs get approved. There is really a good intention and eagerness by client also to complete the projects in time. The good thing in this is that the client has already granted the start date of the project as June 1, 2021, instead of

March first week as second wave of COVID which has hit UP on a larger extent so practically this time has been well utilized by PSP in design and mobilization and getting almost all tender time for execution only.

Last but not least about Bhiwandi project as we have submitted details on stock exchange that we were compelled to go to court as the project was got delayed too much without any fault of us against show-cause notice which I am happy to say the court stayed and they granted our BG of 6.73 crore. On this project, there is a loss of about 60 crores in cement and steel and other escalation putting us practically doing the whole project without profit, so we requested to give escalation or terminate the contract as per clause 3A which is our right as per contract as delay is not at all on our part. We hope court has given a stay some positive solutions may come out in next few days or few weeks, so these were the key highlights from my side.

For detailed financial disclosure, I will request our CFO, Mrs. Hetal Patel, to take you forward. Thank you everyone to be a part of this call.

Hetal Patel:

Thank you Sir. Good Afternoon everyone and Welcome you all on the call. Let me first give you highlights on the Standalone Financial Results for the quarter ended on March 31, 2021.

Company has booked revenue from operations of Rs. 500.72 crores for Quarter-4. The revenue generated from Surat project was Rs. 190 crores during this quarter. Total revenue booked for Surat project for the year was Rs. 436 crores and cumulative revenue till March 31, 2021, for this project was Rs. 1393 crores. Company has booked EBITDA of Rs. 62 crores, which is 12.39% of the revenue from the operations for this quarter. Net profit for the quarter is Rs. 40.88 crore, which is 8.10% of the total revenue. Revenue for the year ended on March 31, 2021, is arrived at 1240.86 crores and EBITDA for the year is 134.81 crores, which is 10.86% on revenues from operation. Net profit for the year is arrived at Rs. 80.88 crores, which is 6.43% of the total revenue. This year we have incurred some expenses which are of non-recurring nature as PS Sir has already mentioned that 10 crores expenses which includes 4 crores for COVID and 6 crores of impairment of losses in Indian and foreign subsidiaries. We have also booked 1.33 crores of foreign exchange loss due to USD rate fluctuation for the year. There is no change in revenue for the year on consolidated basis. Net profit as per consolidated financials is 81.94 crores, which is 6.44% of the total revenue.

Gross block of the Company has increased from 197 crores to 227 crores, which mainly includes acquisition of 20 crores of land for precast unit and 9 crore of machineries for precast unit which has been capitalized. We have shown capital work in progress of 41 crores, which includes 30 crores for precast unit which will be capitalized on commissioning of the project, hence in total capital expenditure incurred for precast plant is 59 crores.

Working capital days on standalone basis are as follows:

Debtor days are 65, creditors days are 76, and inventory days are 26. Out of total credit facilities of 610 crores, our utilized limit as on March 31, 2021, was 430 crores of which 68 crores are fund-based utilization and 362 crores is non-fund based utilization.

Work on hand as on March 31, 2021, is Rs. 4121 crores, which comprises of Rs. 382 crores for Surat Diamond Bourse project and Rs. 3739 crores for other projects.

As on March 31, 2021, the Company has total fixed deposit of 182 crores out of which pre-deposit of Rs. 47 crores, FD worth Rs. 128 crores are under lien with bank for the credit facility and FD given to the clients as security deposit amounts to Rs. 7 crores.

With this, I end up on giving key highlights on the Company's financial performance and now we are open for the question-and-answer session, so request the moderator to take it forward. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Chintan Seth from Sameeksha Capital. Please go ahead.

Chintan Seth: Thank you for the opportunity and decent performance given the circumstances, Sir on the SDB part you mentioned 190 crore booking this quarter, right for Surat Diamond Bourse project?

P.S. Patel: Yeah.

Chintan Seth: Sir, but if we look at outstanding order book at SDB sequentially it increased by 10 crores, so is the scope work increased during the quarter and we executed 190 crore this quarter?

Hetal Patel: Overall, there is an increase of 200 crore, now we have to consider the project value at 1775 crore because 200 crore.

P.S. Patel: That much value has already been added and billed to some extent because these are the variations in cement and steel at the same time some extra work that has already been accrued up to the value of 200 crores, so we are considering Surat as our completion at 1775 without debt.

Chintan Seth: I think given you mentioned that 6.7 crore you were able to get the say from the discount, but it was to 60 crore of steel and cements which is within the escalation range of cost from this raw material, so we are facing any absolute loss on that project, we have purchased material and that kind of damaged because of the delay or how should we look at it?

Hetal Patel: Actually your question was not clear, but I think you are talking about Bhiwandi project, and any loss booked for that, but still we have not started any billing for Bhiwandi project.

- Chintan Seth:** So if the project gets terminated, do we foresee any losses from the project because of the preliminary mobilization of resources we had done at Bhiwandi site.
- Hetal Patel:** Whatever expenditure is incurred we have kept in WIP and still the decision is with the, we have just taken the fee and all, so it is a pending decision.
- Moderator:** Thank you. The next question is from the line of Ashwin from DS Investment. Please go ahead.
- Ashwin:** Sir, Good Afternoon, so my first question is that nearly 13 years you have built a Company from scratch to nearly 1300 crores turnover, I just wanted to understand going from here to 3000-4000 crore turnover, how do you view the challenges we could say and our plans for it, in terms of management of working capital and management bandwidth be able to execute multiple projects concurrently across multiple states, I just wanted to understand how you view the path ahead for the next three to five years and how you are strategizing for it?
- P.S. Patel:** It is not about the 3000 or 4000 crores what we are expecting, it is all about what we see would like to grow, the place with which we have grown it depends on the management bandwidth. There is regular bandwidth which we can all expect is 25% to 30%, but we have always grown up more than 30% so when the bandwidth of the person of Management goes on increasing in the face of 22% to 25% and if your credentials are good and if you are able to perform well on the execution side, I think whatever value we think about, it is whether 3000 or 4000, I do not visualize for the next three to four years, but at least I can say about next two years, we would be able to manage that in a proper way as far as our Management bandwidth is good and it is getting strengthened at the same time our credit facilities are also getting increased, so from 610 to we have increased our credit banking facility to 1047 crore already, now it is only about Management bandwidth which we have been doing since last three-four years and we have been doing better and better as far as the growth is concerned, so we can expect 20%-25% growth and regularly we should add on people so that the culture remains the same so that we can achieve the target what we are expecting or what you are saying to reach up to 3000 crore or 4000 crore.
- Ashwin:** Also my second question is how do you view the Government and private clients order book mix shaping up?
- P.S. Patel:** Again we are never inclined to any Government or any private, it is all about buildings and wherever there is a substantial client in Government or a substantial client in private where the competition is healthy, as a construction Company we cannot focus on any single identity whether it is private or Government and as such PSP has been able to do better in both the fields, so whatever opportunities if it is within the limits of the expected profits what we expect we would always like to bid, so this may vary from time to time.
- Ashwin:** But do you see that the quality of receivables could be a concern going forward as the base of Government revenues like increases?

- P.S. Patel:** No, I do not think so because as far as PSP order book is concerned and wherever or whatever projects which we are going ahead, supposing if you talk about the UP Medical College and Hospital these are all the projects which are having finance and usually where we bid for a Government projects, usually it is some of the market projects of that Government, probably we have not faced till now and we would expect it will not face too much problem in terms of finance cost, receivables from Government.
- Ashwin:** In an earlier call you had mentioned that about how like some of the larger players like L&T and Shapoorji are not bidding aggressively in the large projects and how we are being cautious on maintaining our usual margins and we are bidding for projects, so any inputs on how the competition bidding is turning out this time and since we had a slew of order wins recently, any comments on the margin profile in these orders, will this be in our usual sort of range?
- P.S. Patel:** No what we usually bid we have some criteria within the office and what type of permissions that they are in the tender, what level of organization it is whether it is Government or private, if it is a Government project what are the liabilities which is lying on the tender and depending on that we could put in our margin as cost of percentage and that should in return be somewhere in the range of it will be converted in the level of 11% to 12% and we bid, rest of the companies how they bid, I would take there can be a difference of overhead from different, different companies, we are able to manage our finance properly, we are still able to manage our overheads properly, I think we would still stand competitive with these companies, even there will be little bit aggressive.
- Moderator:** Thank you. The next question is from the line of Sita Raman from Spark Capital. Please go ahead.
- Sita Raman:** Thank you, Sir I would like to know on the bid pipeline for PSP itself and if you can split it and give it across various sectors and also across the States it will be helpful?
- P.S. Patel:** You are talking about the bid pipeline?
- Sita Raman:** Yeah, bid pipeline correct.
- P.S. Patel:** So presently we are having a bid pipeline of about 3000 crores, we have not distributed within the States or the identity of the owner, but I would say presently I can see the figure of 3000 crores.
- Sita Raman:** Across the States, how it is distributed?
- P.S. Patel:** It is mostly in Gujarat, and you can say about 700-800 crores out of Gujarat and rest of about 2300 crores coming from Gujarat.

- Sita Raman:** This total 3000 crores is coming from Gujarat itself?
- P.S. Patel:** Total is 3000 crore, out of that 700 to 800 you can consider as out of Gujarat.
- Sita Raman:** What is the status of the Central Vista project, any update on that Sir?
- P.S. Patel:** Central Vista projects are still going on, tenders are coming, there was one more tender of 3400 crores, still we are not able to qualify because of the Surat Diamond project not getting completed, once we get complete that project and get the working completion certificate, I think we will be in a position to bid for project.
- Sita Raman:** Can you quantify the impact on 1Q FY '22 execution on the labor availability because of this COVID second wave situation?
- P.S. Patel:** What you exactly asked?
- Sita Raman:** On the current quarter, can you tell us about the labor availability and its impact on the productivity itself?
- P.S. Patel:** I think on current quarter it would be better if we talk later, please. We have already been answered talking to some of the investor on a con call related to current quarter, but I think this questions we should talk in personal and later please, if you do not mind.
- Sita Raman:** Okay fine, and the receivables including retention and unbilled revenues?
- Hetal Patel:** Receivables as you can see on the face of the balance sheet, it is 222 crores and on this revenue which is included in other assets it is 77 crore which was 116 crores last year, so it has reduced to 77 crores which mainly includes 25 crores to that project itself and retention money that is segregated in current and non-current portion and included in other financial assets so in total retention amount is around 90 crores.
- Sita Raman:** Okay and the inventory including work in progress?
- Hetal Patel:** Work in progress and inventory are different, if you can see work in progress is 27 crores.
- Moderator:** Thank you. The next question is from the line of Dhruv Bhimrajka from Monarch AIF. Please go ahead.
- Dhruv Bhimrajka:** Good Afternoon Sir and congratulations on a good set of numbers, Sir I wanted to ask a question regarding the UP Medical College and Hospital projects, so is this project on a fixed price basis or any raw material cost increases are a pass through?

- P.S. Patel:** Actually it is an EPC contract the fixed amount, fixed size total project but there is a clause of variation in terms of cement, steel, and labor, POL all material, but that will be based on the RBI index.
- Dhruv Bhimrajka:** Okay, so as per the formula whatever price increase the volatility is there you would be able to pass some or all of the thing to the field?
- P.S. Patel:** 60% to 70% at least can be recovered because that RBI index follows all over India price index so it may happen that what price you are getting in UP the overall index may not have given that much impact but in general we can say when there is a price escalation adjustment as per RBI, at least 70%-80% value is recovered.
- Dhruv Bhimrajka:** Okay, 70% to 80% value is recovered you said?
- P.S. Patel:** Yeah, and it can be vice-versa also sometimes what you have spent and overall inflation in other states are more and that can be on plus side also.
- Dhruv Bhimrajka:** My last question is Sir on the consolidated EBITDA margin guidance for the coming two-three years what should be the EBITDA margin band that we can expect?
- P.S. Patel:** We have been guidance some two years or three years or whatever the tendering process which we do and tendering targets with the selection of the client and selection of the project we usually try to maintain those at the level of 11% and 12%.
- Dhruv Bhimrajka:** But Sir in the past, the margins have been closer to 13%-14% then why are we giving the guidance for 11% to 12% then?
- P.S. Patel:** 14% is I think very beyond two years back and I think that was three years back and that was because of projects were without cement and steel.
- Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.
- Kaushal Shah:** Thank you Sir for the opportunity, Sir if you can guide us the main projects that we have as of now the UP projects, what is the timeline meaning these are 24 months projects, 18 months, what is roughly the execution timeline?
- P.S. Patel:** You mean to say for UP projects?
- Kaushal Shah:** Yeah for UP project even the residential project for the private developer?
- P.S. Patel:** Overall what order book you are seeing now can be spread over about 24 to 30 months and maximum we can talk about clear timeline about projects of UP, it is 18 months and as I have

already spoken in my initial statement that I state that we have been given started as June instead of March what we call seen at the stage of the tender because of that UP second wave, so probably we can consider from June of 18 months.

Kaushal Shah: Sir, ballpark 18 months would it mean that by next year December we are targeting to complete this, so roughly 18 months is basically six quarters, so is that correct?

P.S. Patel: Yeah.

Kaushal Shah: The progress on the Maharashtra economically weaker section the housing project, how is that because that also seems to be a little slow?

P.S. Patel: I have already mentioned in my initial statement about the Bhiwandi project wherein we have not delayed the project, delay has been done by the BMC and against the show cause notice by the Commissioner to us, we went to court for pay of our bank guarantees scheme not revoked which we have got yesterday only, so probably we requested them that the project is now impacting us for an escalation of cement and steel to the extent of 60 crores and if we put in other escalation also that can go up to 70 crores. The project is 600 crore and going ahead with the clear loss of 60 crores, so we thought that let us terminate the project or you pay us escalation. On escalation part, they said there is no clause so we have requested them to go for a termination of the contract and to which they can send us a show cause notice which was actually bad intention from their side, they should not do that, but once show cause notice was issued, we had to go to court and luckily we have got the stay order from the court and there will be some news from their side within a week or so.

Kaushal Shah: You are saying the other projects are all working normally, so there is no delay in the other projects?

P.S. Patel: No, only that also I will tell you about focus on our outstanding order book of 4300 crores, only 17% that is 750 crore of PMAY scheme that we are going slow that is how the projects going on time.

Moderator: Thank you. The next question is from the line of Parth Parekh from Prudent Broking Services. Please go ahead.

Parth Parekh: Sir, what is the quantum of loans outstanding to PSP INC, as of March 21?

Hetal Patel: It is 25 crores.

Parth Parekh: Sir, from external report it seems that housing demand and prices have both picked up significantly in the US, so why has the subsidiary reported a loss?

- P.S. Patel:** That is the loss which we sold the houses, it was a small scheme and that was sold I think one year back that was start of the COVID, so we sold two properties in COVID time, so that was the loss. Presently you are right that real estate is going up as on date but when we sold, it was not so.
- Parth Parekh:** After COVID, we have not sold any properties in the US?
- P.S. Patel:** No.
- Parth Parekh:** Sir, regarding the Pandharpur project it is going really slow as we can see that since many quarters revenue booking has not exceeded 6 crores, so why is it running on a slow pace?
- P.S. Patel:** Because client was weak in making the marketing for the sell of the houses and now they have initiated on a larger scale and they are expecting money from the tenants to come on account and then only we will be able to pay, so client is not able to pay us on time that is why the project is going slow.
- Parth Parekh:** Last question Sir you have reported a new project to build residential project in Gujarat for a private developer, so can you disclose the name of this developer?
- P.S. Patel:** It is not necessary for us, and they do not give us consent because they are also a big identity so we cannot give the name of the developer.
- Moderator:** Thank you. The next question is from the line of Debashish Mazumdar from Edelweiss. Please go ahead.
- Debashish Mazumdar:** Sir, thank you very much and congratulation on a great set of numbers, I have some confusion around the order book that you have announced, so you are saying that your current order book is on a closing basis is 4121 crores, but if I see your last quarter announced order book which was 2500 crores, you added around 2400 crores of order book so that comes to 4900 crores and if I remove 500 crores of execution, it should be coming around 4400-4500 crores?
- P.S. Patel:** After that we have cancelled one order of 110 crores that was the Sabha Hall which I think you have not noticed, so presently I have said it is 4120, it is the same what we have declared.
- Debashish Mazumdar:** Among that you are saying around 700 crore is slow moving?
- P.S. Patel:** Yeah.
- Moderator:** Thank you. The next question is from the line of Jitendra Sri from Axis Capital. Please go ahead.
- Jitendra Sri:** Good Evening Sir thank you for taking my question, few question on my side is what would be the CAPEX guidance for next year including the precast facility for next year Sir?

- P.S. Patel:** CAPEX guidance usually we always say that it is within the range of 3% to 4% of the total revenue, but as per this year we were not having too much CAPEX from the side of construction because we had a plenty of material that is been from Surat so we have invested this majorly on precast plant, but on regular basis if we consider for a good construction Company infusion of new machinery and shuttering material and utilizing the materials which were already having materials which are free, ranges between 3% to 4% of the total revenue expected.
- Jitendra Sri:** Sir, for UP project we do not need any CAPEX Sir?
- P.S. Patel:** As such we are not expecting too much CAPEX because we are having some of the materials free which we are transferring from here, but it will be in the range of between 10 to 15 crores.
- Jitendra Sri:** Sir, this precast any further CAPEX after 59 crores and there is some work in progress also CWIP so this year we can reach 30 crores of CAPEX?
- P.S. Patel:** Initially also we have always said that it will be in the range of 75 to 80 crore so probably it will reach to 75 to 85.
- Jitendra Sri:** Sir, on the precast order backlog can you highlight like what from June 1st onwards, obviously we are going to start from July, so any orders we have right now where we can see some execution from the plant and kind of a revenue guidance from the precast plant for this year FY '22-23?
- P.S. Patel:** They have not declared any of the precast order, we are not having presently any orders of precast. Yes, we are having some of the clients with whom we are discussing on some of the projects, so once we are through with quality and consistency of the concrete in July then onwards we will explore whatever opportunities we can get in of which we can convert to order.
- Jitendra Sri:** Sir, on the bookkeeping side can you give me the gross debt number and mobilization advances from clients and order inflow guidance for next year?
- P.S. Patel:** You are asking the order inflow or mobilization?
- Jitendra Sri:** I have asked three questions order inflow guidance for next year, mobilization advance, and gross debt number?
- P.S. Patel:** Order inflow I have always said it should be within the range of whatever revenue we are going to expect for the next year plus 20%-25%, so we should expect minimum 2000 crore order book next year.
- Jitendra Sri:** About the mobilization advance and outstanding gross debt as on March?

- P.S. Patel:** Mobilization advance is not something which the Company can predict that depends on project to project, some of the projects may have mobilization advance, some of the projects may not have mobilization advance.
- Jitendra Sri:** I am asking March ending mobilization advance Sir?
- Hetal Patel:** It is 31 crores.
- Jitendra Sri:** Gross debt, Madam?
- Hetal Patel:** Current borrowing is 68 crores; it is already on the page of the balance sheet.
- Jitendra Sri:** Including current maturities?
- Hetal Patel:** Current maturities will not be there, if you look at our past balance sheet also we have not taken long-term loan on a larger scale, it is around 3 to 4 crores so current maturity will be hardly 1 or 2 crores.
- Jitendra Sri:** Are we getting any mobilization advance from the UP project Sir for next year?
- Hetal Patel:** Yeah, current year we have received.
- Jitendra Sri:** How much, 10% we will receive for the whole project of 1400 crores-1500 crores?
- Hetal Patel:** It is 5% and 5% will be received once that stage comes.
- Jitendra Sri:** Okay, so overall you will get 5% and this would be interest bearing, right?
- P.S. Patel:** It is an interest bearing 10% yeah.
- Jitendra Sri:** So we will get 5% at 10% interest cost, am I right Sir?
- P.S. Patel:** If you get mobilization advance of 10%, presently we have received 5% and next 5% installment we will receive soon once we reach to that milestone, complete the milestone of mobilization.
- Jitendra Sri:** Sir, on the execution part, now as you said given the project we will take some time, so what is the other project, which is slow moving, the Ahmedabad project is almost 200 crore plus in the order backlog, so that complete project is slow moving?
- P.S. Patel:** Now nothing is slow moving, the slow moving projects of only the PMI scheme of Pandharpur and Bhiwandi you can consider those two projects as slow moving, rest of all projects are on.

- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir, my question is on the Bhiwandi project so what is the value of the bank guarantee we have submitted there?
- P.S. Patel:** 6.73 crores.
- Parikshit Kandpal:** It is against the mobilization advance; I mean have we received any advances for that project?
- P.S. Patel:** No, there was no mobilization advance in that project, this is only on performance guarantee.
- Parikshit Kandpal:** You have given a 10% or 15% performance guarantee of this 73 crores?
- P.S. Patel:** 1% only as this is a PMAY scheme, it is 1% of the project as performance.
- Parikshit Kandpal:** But you said guarantee value is 73 crores or 7.3 crores?
- P.S. Patel:** 6.73 cores.
- Parikshit Kandpal:** So that is the worst case loss which we can have 6.7 crores?
- P.S. Patel:** No, that is not the worst case loss we should expect, that is the guarantee plus whatever expenses we have made till now for the project for giving mobilization and giving design fees to the architect and all that, but we are not calculating those losses now. We are just expecting something good news to come for their side, they can expect some escalation. If they expect for escalation, we do not have any problem, if they do not expect any escalation we have a better edge to go for arbitration.
- Parikshit Kandpal:** What is the total exposure as of now on this project and the size of this bank guarantee?
- P.S. Patel:** Except this bank guarantee about 7 crore.
- Parikshit Kandpal:** Except this bank guarantee you are saying mobilization and other expenses you would incurred to the tune of about 7 crores, so total is like 7 crores worth of bank guarantee and 7 crores of hard cash expenses which you are.
- P.S. Patel:** Yeah, you can consider 13-14 crores total.
- Parikshit Kandpal:** Not much Sir if there is an issue I mean you can walk out also.
- P.S. Patel:** You are right, but it is a pain for me, 14 crores.

- Parikshit Kandpal:** I understand Sir, but 70 crores are a very big amount, I mean if the plant is not agreeing and arbitration...?
- P.S. Patel:** It is not only about the value; it is also about the credentials of the Company getting out of the project without any failure from our side that is the thing which we should not expect.
- Parikshit Kandpal:** I do not think it is your fault, it is because of the delay from the client side obviously but of course this takes time, so my second question was again you guided for a little lower margin this time I think 11% to 12% EBITDA margin, so this has been potentially whatever the inflation which you may not be able to get from the order book, like you said up to 80% is recoverable as per the indices so you have factored that while giving this 11% to 12% guidance right?
- P.S. Patel:** Yeah.
- Moderator:** Thank you. The next question is from the line of Praveen Naredi from Naredi Investment. Please go ahead.
- Praveen Naredi:** Thank you Pratap, in this hard time you have given a reasonable result, Sir due to pharma is doing well major enquiry in Gujarat for few big project in any or will you got something about L1 projects in hand?
- P.S. Patel:** No, as such there is no L1 project in hand and about pharma itself there is not much any big project coming up, there are few projects in the bid book related to pharma, but this is on a corporate office side. On the industry side, presently we are not having any projects in our bid book.
- Praveen Naredi:** Sir, I hope you learned a lot from Surat Diamond project as it delay by few years, so in future how will you take such project there should not be any delay and because due to delay of this project we are not able to bid for other projects also?
- P.S. Patel:** There are two things, what we have to learn is if we are not able to execute on time. This project was majorly delayed because of the few decisions are not coming from client on right time and second reason was COVID, otherwise, we were almost through at 36 months which was the regular timeline of the project and after 36 months in last March only there was a COVID, so that overall reason has gone to extension of further one more year. If you calculate the real timeline of the project it will not be more than 40 months.
- Praveen Naredi:** Right, because this Surat Diamond project we are not able to apply for other projects so that is why?
- P.S. Patel:** We should move with the idea that Surat is not with us because this could have been completed, if this client has given me decisions on time because March '20 when we were expecting

December '19 the last timeline, it was supposed to be over within three months but then COVID came and we could not complete and after COVID everything had messed up and the whole thing got extended up to one year. Again, this second wave has impacted though we were expecting to complete by June that has also extended to August.

Praveen Naredi: Finally, now when we will be able to complete this?

P.S. Patel: As I already said, project will be completed is difficult to answer is still two issues related to clients, some of the orders directly given by the client is in passing through our expenses, at the same time we have already started giving the offices position also, so they have started a huge project, giving the position of all the offices will take four to six months, so net-net if we consider that projects has to be inaugurated at that phase, I think it will be Diwali.

Moderator: Thank you. The next question is from the line of Balkrishna V. from Hexagon Investment. Please go ahead.

Balkrishna V.: Good Evening Sir, almost all of the questions are covered, I have one question, what is your view on Government's planning to boost infrastructure with regard to opportunities the Company will have in future, what kind of opportunities or trend are you seeing currently with regard to the Government's proposal to boost infrastructure?

P.S. Patel: In terms of building infrastructure when we talk, there are two major line is the airport and second is the medical facility and hospitals, the COVID has made we people learn a lot about the pandemic when it comes to India, there are so many States which are not actually equipped to face such type of disease at one go, so probably there will be huge expansion in terms of medical colleges and hospitals to come all over India and we have completed some of the medical colleges and we have got few more orders in UP. Airports also basis one infrastructure which has to come and which we have not fully equipped all over India, that also will be one of the factor where PSP can get a better edge, so presently I see this two and on the education ground as previously also we have been talking about IITs and IIMs so these are the four sectors where we have done some of the projects and at the same time we expect some of the more projects to come as Government is aggressive on to investment in Medicine, airports, and education.

Moderator: Thank you. The next question is from the line of Ankit Babil from Shubhkam Ventures. Please go ahead.

Ankit Babil: Sir, Good evening, my question is if I exclude the slow moving orders from your order book and also the Surat project order, we are left with somewhere around 3000 crores worth of orders from other parties and as you mentioned that the execution period of these orders is around 24 to 30 months, so even if I take the execution at 30 months, so the revenue from this 3000 crores and this year could be around 1200 crores plus this Surat project you plan to complete this yet

another 400 crores from that project and you are also expecting some 2000-2500 crores worth of new orders, so you might book 300 to 500 crores from that as well, so this year if I add up all these project's execution so can the revenue be around 1800 to 2000 crores?

P.S. Patel: Yes, we should target for 1700 to 1800 crores, which we have already projected, and we expect that minimum 800 crore we should target for this year. By our calculation it can go up to 2000 crores, but you are asking if we get some new orders which moves faster, we may reach 2000 crores, this 1800 crore is achievable.

Ankit Babil: That is great and Sir my second question is once you get qualified for bigger projects post completion of your Surat order, so can we expect any big orders you bagging say around 1500 crores plus this year or next year?

P.S. Patel: We as a Company would always be happy to expect those sets of orders, but that depends upon the market and the Government order which tender is coming on last year, so this opportunity will be there and once the opportunity is there and when we are equipped we can expect.

Ankit Babil: My last question is what kind of revenues you are expecting from this precast plant on annualized basis going forward also I mean a part would be in this year and then from next year it will be a full year?

P.S. Patel: We should expect minimum 100 crore of work to come from this precast plant as we have targeted this whole revenue to get recovered in five year plan, so I think 100 crore is the minimum order we should expect for each year in the precast.

Ankit Babil: So the asset turnover would be like what 1.5x at peak for the precast plants, so margin expectation would be how much Sir in this, it should be higher as well?

P.S. Patel: That will be in the same range because all the time precast is compared to casting so again the construction cost has to be taken care of that nobody is going to make a precast building at a cost of 20% more or to regular building, so that is the reason that it will be in the same range of general construction.

Ankit Babil: But would our return ratios be equal to our core EPC business in this plant say ROC basis? I mean just that 1.5 times asset turnover with 11%-12% margins I do not think the ROC would be very great in this business, so just wanted to know the reason of entering this?

Hetal Patel: Yeah, but it will be at the initial stage we are talking about, over the period of five years it may increase.

P.S. Patel: You mean to say what is the reason to enter into this business that answer I can give you, this day by day the labor thing in the industry is going high and quality of work which we are

expecting in skilled labor is getting reduced day by day, I think this is the only solutions to go for mass housing or mass construction work in industry, commercial or residencies, and this is an universal fast track methodology, technology in construction which can give you a better quality at the same time fast moving project getting completed in time and continuous working throughout the year, so then we will see that there is no consistency of time in construction, we have monsoon, we have festivals, and that does not give us full time of nine months working, minimum nine months working even in throughout the year, that is why it will be benefit for the future if the technology moves on and if we are able to prove or deliver good buildings in good time, I think that can give us better chance.

Ankit Babil: Sir, just one last small question, a couple of years back you had indicated that you are looking for a professional to be the CEO of the Company, any progress on that front, are you still looking for some professionals to be for the CEO position?

P.S. Patel: Yes, still we are looking at.

Ankit Babil: For an external professional?

P.S. Patel: Yeah.

Ankit Babil: But anything we can hear I mean what is the progress, what is the latest update any candidate shortlisted, any candidates under discussion?

P.S. Patel: No, we have been searching and we have been discussing with the consultant, but I am not able to shortlist anybody till now.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Thank you for taking my question, two questions from my side, so first one was with this Pandharpur project, if you could explain us what is playing the performance with this project, I mean initially it was moving okay and suddenly it has started going little slow, and do you see any cost of escalations because I mean it is moving slow because when Sir spoke about the two orders that are kind of moving little slow, one was your Rs. 600 crore in Bhiwandi and then the other one is this, why is it moving slow and are there any chances wherein you will get to have some cost escalations because of this project moving little slow as of now?

Hetal Patel: Pandharpur project it is moving bit slow mainly because there is a fund not coming, we are not receiving enough funds from them our outstanding for a couple of months and as Sir has already mentioned, the process from their side also is pending if they to market flats over there, so because of that project is slow moving, we have already reduced quantum of laborers over there because of non-receipt of funds.

- Prem Khurana:** But then how about escalations because when you entered the project you would have expectation I mean by which you would be able to kind of finish the entire project and suddenly it has taken you longer, so you would be required to bear additional labor cost as well as site expenses?
- Hetal Patel:** There is no escalation clause in this project again, but first our priority is we should receive the funds for the ones which we have already done, so that is our priority and if we just keep on continuing their execution that will be like the volume of receivable will be huge over a period, let them start the payment and then we will again continue for that.
- Prem Khurana:** How much is the total exposure to this project as of now in terms of let us say receivables or unbilled?
- Hetal Patel:** It is 10 crores.
- Prem Khurana:** Second question was on our precast plant, I think the precast plant is due for completion in July and we still do not have any order as of now, so when you talk about the Rs. 3000 crores of bid pipeline that you have added, any precast projects or precast orders in that pipeline or you are still not engaging as a client I mean as far as precast technology is concerned, and you would do it once the plant is up?
- Hetal Patel:** Yeah, that plant will be there, means it will be commissioned in July, but how we will be using for the project which are under bid pipeline it is on face to face basis, we will be discussing with the clients means we will see what the scope is, how we can use the precast facility for those project, so that we cannot guess right now.
- Prem Khurana:** Sure, so essentially I mean it still is sometime before by which we would be able to have that Rs. 100 crore of number that you spoke about, the clients need to agree which you will be able to do it?
- Hetal Patel:** Right.
- Moderator:** Thank you. The next question is from the line of Hiten Joshi from Axis Capital. Please go ahead.
- Hiten Joshi:** Thank you for taking my question, one question from my side in the order backlog of 4120 crores, can you give us a breakup between the fixed price contract and the contracts which are having variable components, escalation components in that?
- Hetal Patel:** I think most of the Government projects are fixed price contracts if you see around 40% to 43% is fixed price. Yeah, we do have some escalation as Sir has already mentioned in UP project, but this Bhiwandi and Pandharpur are fixed price contracts.
- Hiten Joshi:** If it is private, that is pass through complete right?

- Hetal Patel:** Yeah, mostly pass through.
- Hiten Joshi:** Madam, in the UP project all the hospitals and the colleges are going to start from June 18th or we are going to start the projects in piecemeal like one building, two buildings?
- Hetal Patel:** Yeah, we have started mobilization for all the projects.
- Hiten Joshi:** All projects, so basically the June 18th timeline is for all the projects?
- Hetal Patel:** Yes.
- Hiten Joshi:** Madam, in the bid pipeline of 3000 crores, can you just highlight segment wise like what is the bid pipeline and any large project in that particular and also are these are going to be a like fixed price bids or variable or cost escalation improvement?
- Hetal Patel:** It is a repeat question, Sir has already explained about the bid pipeline bifurcation of the fixed price.
- Hiten Joshi:** When are these bids going to open?
- Hetal Patel:** It depends on the project to project, so it is under process actually, various phases are there.
- Hiten Joshi:** Highlighting on this thing any Government contracts in the bid pipeline?
- Hetal Patel:** Yeah, it is combination of Government contracts and private contracts.
- Hiten Joshi:** Can you quantify if it is possible, otherwise it is okay?
- Hetal Patel:** No, we do not have the figures right now.
- Moderator:** Thank you. That was the last question. I would now like to hand the conference over to Mr. Shravan Shah.
- Shravan Shah:** I thank the Management for giving us the opportunity to host the call and also thank you all the participants.
- Hetal Patel:** Thank you everyone for joining the call, stay safe, thank you everyone.
- Moderator:** Thank you. On behalf of Dolat Capital, that concludes this conference. Thank you everyone for joining us and you may now disconnect your lines.