

**Ref No: PSPPROJECT/SE/19/20-21**

**June 15, 2020**

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 for the quarter and year ended March 31, 2020**

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/15/20-21 dated June 05, 2020, please find enclosed Copy of transcript of Q4FY20 earnings conference call held on Tuesday, June 09, 2020

Kindly take the same on your record.

Thanking You,

**For PSP Projects Limited**



**Mittali Christachary**  
**Company Secretary and Compliance officer**



Encl: As above



“PSP Projects Limited  
Q4 FY2020 Earnings Conference Call”

June 09, 2020



**ANALYST: MR. AMBER SINGHANIA - ASIAN MARKET SECURITIES PRIVATE LIMITED**

**MANAGEMENT: MR. P.S. PATEL – MANAGING DIRECTOR AND PROMOTER – PSP PROJECTS LIMITED  
MR. HETAL PATEL - CHIEF FINANCIAL OFFICER – PSP PROJECTS LIMITED**



*PSP Projects Limited*  
*June 09, 2020*

**Moderator:** Ladies and gentlemen, good day and welcome to the PSP Projects Limited Q4 FY2020 Earnings Conference Call hosted by Asian Markets Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amber Singhania from Asian Markets Securities. Thank you and over to you Sir!

**Amber Singhania:** Thank you, Nirav. Good afternoon everyone. On behalf of Asian Markets Securities, I welcome you all for Q4 FY2020 Earnings Conference Call for PSP Projects Limited. We have with us today, Mr. P.S. Patel, Managing Director and Promoter, Mrs. Hetal Patel, CFO along with their team from the company side. We would like to start with a brief update about the company and the results from the company side and then we can proceed with the question and answer session. I now request Mr. Patel to take us through the quarterly results and thoughts about the company and the sector and then we can move to question and answer session after that. Over to you Sir!

**P.S. Patel:** Thank you Amber. 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 2020 & probably FY20 also I would say.

First of all hope you all are safe at your place and good because of this COVID-19 which is spreading all over India. Before we move to the financial statistics and performance of the last quarter and financial year I would like to throw light on a few of the key development of this quarter and year. We are pleased to inform you that Company Has Booked Its Highest Ever Revenue from operations Rs.1499.26 Cr & Net Profit Rs.129.13 Cr on Standalone Basis. We have 44% Y-o-Y growth in revenue & 43% in PAT. I’m glad to share that about 90% of the turnover is booked from the Industrial & Institutional Projects where our business model fits the best. (Industrial 12% & Institutional 78%). Our revenue from operation in particularly Q4 FY20 is 456.40 Cr which was Rs. 338.26 Cr in Q4 FY19. There is an increment of 35%. IN Q4, you must have noticed that the PAT is 7.36% in Q4FY20 compared to 8.71% in Q4FY19. This decrease attributed to major two reasons – first is As you know that we see a labour shortage for about 10 days ahead and after the Holi Festival. In FY19 the Holi was on 20th March (basically Ending of March) whereas it was on 9th March this year which was like beginning of the Month. So there were comparatively lesser count of workers from beginning of the march only. And by the time

they return, the lockdown started so last 10 days were again non-working situation. so this non-working days and non-availability of adequate workers are one of the reason impacted the PAT in Q4. Another reason is - Milestone wise Payment: Our big ticket size projects like IIM Ahmedabad, Pandharpur Affordable Housing & Kashi Vishwanath Development at Varanasi are on Turnkey Basis and the payments are on Milestone Basis. Due the above mentioned reason we couldn't reach to the targeted milestone where we can bill to the client. This incremented our operation cost significantly.

Company has bagged the total order of Rs. 1578 Cr this financial year. The major projects awarded in this year includes – Our second Project of Affordable housing in Maharashtra with Order Amount of Rs. 601 Cr. Now we have presence in 7th state with our very first and prestigious project in Varanasi, Uttar Pradesh “development of shri kashi vishwanath dham and it's beautification” amounting to Rs. 339 Cr. We are awarded to construct the largest Mall in the Gujarat – Phoenix Mall. In industrial sector, we are awarded contract by the leading FMCG company to construct their noodle plant in Sanand. After successful completion of Vidhansabha Interior work of 150 Cr last year, we are engaged in one more Marquee Interior Project by “Gandhinagar Railway and Urban Development Corporation (GARUD)” for the Interior work of Leela Hotel at Gandhinagar Railway Station having contract value of Rs. 39 Cr. This is first project in India where they are developing a five-star hotel over a railway station.

We successfully completed 23 Projects this year which is highest ever project completed in a single year. With this number of total projects completed by us till 31st March 2020 is 143. The Major Completed projects this year includes – Two more projects in GIFT City – Prestige Fintech and Grand Mercury Hotel by Brigade Group at GIFT City. With this all projects except the BSE Building are completed by us inside the GIFT City. We have successfully completed Corporate House of one of our prestigious client Zydu Cadila Group. In the industrial sector, we completed our first Industrial Project which was on EPC Mode for Puniska Healthcare. Our first project in Karnataka – Bamul dairy was handed over to client this year.

So adding fresh orders of FY20 + carry forwarded orders from previous year & deducting revenue booked from the current ongoing projects, company holds a robust Order Book of Rs. 3073 Cr as on 31st March 2020 including 47 projects under execution spread in Gujarat, Rajasthan, Karnataka & Maharashtra & UP (Again this number of Work On Hand as on year end is also highest in the company's history). Major Projects contributing the Order Book are - Surat Diamond Bourse Contributes - 618 Cr, EWS Housing Project at Bhiwandi - 601 Cr, Varanasi – Kashi Project - 333 Cr, IIM Ahmedabad with Rs. 270 Cr and Pandharpur Affordable Housing Project - Rs. 142 Cr.

Now I will talk about the COVID-19 and how it has impacted the company. The outbreak of COVID-19 pandemic globally and in India, followed by the nationwide lockdown has caused significant disturbance and slowdown of economic activities; with construction being one of the most affected sector. In view of the sudden lockdown, the site operations were closed from the last week of March this year. Subsequently, with the release of the notification and guidelines issued by the government, work was resumed at some of the sites upon receipt of approval from concerned authorities. However, after the movement of interstate migrant labourers to their native places amid the COVID- 19 induced situation, the available labourers have been deployed at major project sites for their optimum utilisation and are presently working at a reduced labour strength of 20-25%. Further, there is also a constrain on material availability. The overall situation has impacted the tight timelines of some of our projects and will further also impact the sales and profitability of the company for the first half of FY21. The company is taking various steps to restore the adequate labour strength and with relaxations in the lockdown from June 01, 2020, labourers have started returning back to work, which is a positive development towards normalcy. We were able to mobilize about 600 to 650 labours in last week from Gujarat, Rajasthan and MP. Also, In coordination with Associations, we have requested to Government to arrange the trains from UP, Bihar and Jharkhand also so that the remobilizing process can be expedite. We are believing that by end of June we will have about 70%-80% labour strength back on projects although the sentiment remains positive day by day.

I would like to share project update on Surat Diamond Bourse as you all know that now about Rs.900 Crores what we have completed just because of this COVID, they will be an impact for one or two months for completion of the project but considering March 2021 was extended timeline and we were targeting to complete the project by December 2020 we still hope that we should be able to complete the project in timeline as extended by Surat Diamond Bourse. Most of the structure is almost completed, we already completed flooring, we have almost completed about 50% installed at site, we have already completed almost the major part of the compound wall, we have also completed all the podium as far as greenness and soft core needs to be done by the client so this is all about Surat Diamond Bourse. Company's average ticket size of receipt of project is increasing year-by-year for this year Rs.82.81 Crores in FY2020 compared to Rs.42.91 Crores in FY2019.

Looking to the presence scenario we are not expecting to many tenders to come in near future but still we hope we can get some of the opportunity and out of that we book present status we have bid book of Rs.1713 Crores which includes Welspun warehouse for Rs.200 Crores, Torrent House of Rs.100 Crores, Reliance warehouse of Rs.200 Crores, Brigade Hyderabad and commercial building of Rs.300 Crores and of course GIDC work which we

have stood lowest, but the government has not yet closed the tender, we see considerable and ongoing. So these were the key highlights from my side for detailed financial disclosure, I will request our CFO Ms Hetal Patel to take forward and thank you everyone to be part of this call. Thank you.

**Hetal Patel:**

Thank you Sir. Good afternoon everyone on the call and welcome you on the call. Let me first give you highlight of standalone financial results for the quarter ended of March 31, 2020. As Sir had already mentioned about the Q4 revenue of Rs.456 Crores, will brief you about the Surat project numbers during the financial year ended on March 31, 2020. Out of quarterly revenue of Rs.456 Crores, Surat projects has been activated to the extent of Rs.169 Crores, accumulated revenue from Surat project till March 2020 was Rs.957 Crores and we can say that almost 61% of the total project value was completed by March 2020. For the whole year of FY2020 Surat project execution was Rs.542 Crores out of the total revenue of Rs.1499 Crores. EBITDA for the Q4 is Rs.50.52 Crores. There is no significant increase on Y-o-Y basis. EBITDA margin has reduced to 11.07% compared to previous quarter EBITDA of Rs.54 Crores. Profit after tax including other comprehensive income for the quarter is Rs.34.15 Crores which has increased on Y-o-Y basis by 14% which was Rs.30 Crores in fourth quarter of previous year. PAT margins stood at 7.36% for Q4 of FY2020 and 8.47% for the year ended on March 31, 2020. Total comprehensive income for the year has increased from Rs.90.22 Crores to Rs.129.13 Crores with a growth rate of 43%. As on March 31, 2020, the company has total fixed deposit of Rs.237 Crores out of which free deposits Rs.51 Crores, FD worth Rs.171 Crores were under lien with bank for credit facilities and FDs given to client as a security deposit amounts to Rs.15 Crores.

We will also brief you about working capital days on consolidated basis. Debtor days have reached to 57 days. Payable days are 60 and inventory days are 24. We will brief you about for work on hand. As Sir has already informed you Rs.3073 Crores is total work on March 31, 2020 which comprises of Rs.618 Crores stood 11 projects and Rs.2455 Cores for other projects.

With this I end up the key highlights of the company financial performance and now we have open for question and answer to request moderate to taking forward.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Shravan Shah from Dolat Capital Markets. Please go ahead.

**Shravan Shah:**

Thank you. Before asking the question, just to clarify you said was Surat now COD would be March 2021 versus earlier our expectation of December 2020?



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- P.S. Patel:** Yes.
- Shravan Shah:** Second Sir is it possible to repeat I think Rs.730 Crores bid pipeline that you said in terms of the project wise?
- P.S. Patel:** Welspun warehouse project in Mumbai at Bhiwandi Rs.200 Crores, Torrent House in Ahmedabad it is Rs.100 Crores, Reliance warehouse project of Rs.100 Crores, Brigade Hyderabad, it is a commercial project from Brigade Group, it is Rs.300 Crores and GIDC L1 we have already been declared L1 but the project is not closed from government side Rs.275 Crores.
- Shravan Shah:** Sir one more clarification this year FY2020 is the order inflow is Rs.92 Crores?
- P.S. Patel:** Rs.1578 Crores inflow of order book was this year till March 2020 is Rs.1578 Crores.
- Shravan Shah:** Rs.1578 Crores so does this not include the Kashi Vishwanath?
- P.S. Patel:** That includes Kashi Vishwanath.
- Shravan Shah:** Now as you said that we are having labor shop around 20% and now labour has started coming back and we expect 70%-80% labors by end of June so just wanted to understand what initiatives are we taking to make sure and this is what when we are saying 70% to 80% this is across all the projects or it is just four, five major projects that we are saying would be 70%-80% by June end we will be having labor of 70%-80%?
- P.S. Patel:** See there are two points in with laborers from Madhya Pradesh even Gujarat and Rajasthan, they can easily compared to Gujarat. Now the question was major question is from UP, Bihar, Bengal and Orissa and West Bengal. These states are ready to come back, if they just want to come back but still they are not having facility of train which they were given by government while going there to their home so presently they are having only two coaches, so in all these everybody wants to come back that we general coaches they are not allowing anybody to spend because of the social distancing so it is easy availability is presently availability of transport facility coming back to Gujarat is not so easy so we have already requested some of the government departments through some of the association that if they can start commitment again back to interested commitment then I think would be able to reach 70% to 80% by June end is the company lend.
- Shravan Shah:** Sir I understand it is very difficult to give any kind of guidance but just trying to understand let us assume the April was definitely lockdown and extended May also so considering this quarter Rs.450 so monthly we were having close to Rs.150 Crores revenue so is it fair to



assume that the first quarter that is this June quarter we would be having around close to Rs.121 Crores to Rs.130 Crores kind of revenue or is it fair to assume that number would be and also at the same time that is the case and we can see kind of margin that we have seen dropped 11%, can we see even of single digit margin in the first quarter?

**P.S. Patel:**

I already answered this question. It is very difficult to resume as of now if you are not able to assume as an analyst it is very difficult for me because I also make it possible practically. So actually this is too early because we are still lending for some of the things to happen and this is something which you said does not have any precedence, so we will wait till what is happening within the next 15 to 20 days then would be able to give you some guidelines.

**Shravan Shah:**

No I understand my question was because now in SPV we would be doing more high value ended work so just trying to understand because COVID we were having Rs.60 Crores for the kind of revenue per month in SPV so and now all this civil construction is over so in that times was trying to understand is it possible?

**P.S. Patel:**

When we talk about the first quarter I am saying that till June end that we will be able to reach to 70% to 80% based on the availability of labors coming on time and availability of transport facility available to them so today as of now we are having some labors about 1000 in Surat but it is not giving that assumption but what are the activities which is go far so I would say till is it too early please wait for sometime after 15 or 20 days I will be able to give you some judgment.

**Shravan Shah:**

Okay and certainly Sir in terms of the broadly normally we have cost escalation in most of the project so just trying to understand except the fixed overheads whatever the impact would be there in the first half of this year in terms of the margin broadly on the overall project level are we able to sustain 12% to 14% margin post the things get normalized?

**P.S. Patel:**

I think it is also early question to answer till next month but yes you can say there would not be too much material that has moved from the factory, you know that it is on a pass on freight of the material but on the labor part, yes there will be some impact may be because of the social distancing, labor getting less output or something it is on the sanitization facility which we have to create. There will be marginal expense on the ground but today also we have not able to give that exact judgment till we complete one or one and a half months.

**Shravan Shah:**

Thank you.





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**Moderator:** Thank you. The next question is from the line of Avinash Sharma from Spark Capital Advisors. Please go ahead.

**Avinash Sharma:** Thank you for taking my question. First one we are just trying to understand what is the moment possible in few specific projects of order book that you gave, can you give us some clarity, which projects are outside Gujarat may be as better execution level possible?

**P.S. Patel:** Yes outside Gujarat we are having majorly three projects one is Pandharpur, and second is Bhiwandi, third is Varanasi. Varanasi the most of the labors have migrated from here to UP State so we are having sufficient labor today also to go onto the full dynamic on the first. About Pandharpur still we are waiting for more laborers to come. Bhiwandi yes we have also got clearances and environment clearances but we are waiting for the labor to start because we have not started any of the activities but we have 100% mobilized and ready to start the work as and when we get labours.

**Avinash Sharma:** Sir another one is on the opportunity any tenders, large tenders in hand that we are expecting which we can delay it for like three months or what is the sense?

**P.S. Patel:** As of now I cannot say on that part because we are just from the bid book clients I am not able to give you an assuredly which they happen out of this bid book.

**Avinash Sharma:** Any reallocation Sir of the budget like any request that has come to slowdown any project are we expecting such things on clients?

**P.S. Patel:** I hope I could not get your question.

**Avinash Sharma:** That is it from my side.

**Moderator:** Thank you. The next question is from the line of Pawan Ahluwalia from Laburnum Capital. Please go ahead.

**Pawan Ahluwalia:** Two questions actually first is if I look at the working capital, obviously our accounts receivable have gone up by a lot in line with the revenue accounts payable have also gone up, do we anticipate any change to net current assets or networking capital as a percentage of sales going forward, we have seen companies like L&T see this ratio considerably increase in the past quarter, so just curious if you have a perspective on how it is likely to evolve given what you are seeing? The second question is as I look at the order book of orders in hand significant portion of these orders come from the government or quasi-government. I do not know what Kashi Vishwanath I am guessing is also kind of indirectly government. Are we worried about payment terms, working capital characteristics that are

significantly worse in government related businesses and how should we think about what that implies for our capital requirement ROE etc., going forward?

**P.S. Patel:** First of all, I will answer about your order book and about working capital, and Hetal will answer you. Regarding order book we do not feel any pressure in terms of order book as in the government project so all the projects, government would always like to maintain rapport continue those projects with the same case that we were doing before March so as of now whatever order book which we were having whether it is government or private we are not going to create any problem in terms of getting the payments on time. It is just a question about how we resume and past days which were doing previously before March.

**Pawan Ahluwalia:** Sir just follow up on that and just maybe help us understand as I understand government business is typically sort of L1 business, so very often termed people end up quoting are highly competitive terms in the private sector, there is a greater tendency towards nomination basis or generally more stringent qualifying requirements because there is a greater willingness to pay off for quality and speed and things like that. Have we historically experienced the same payment terms of the government as we have with the private sector?

**P.S. Patel:** Apart from mobilization advance most of the terms as far as the government is concerned it is always the monthly basis payment, only the difference between the private sector and the government sector is you are not being paid mobilization advance so this is only difference and talking about the competition if you really see all these three tenders PSP usually posts the qualifying criteria are very stringent or tight so all these three tenders wherever we have been got that we have got the job because the bidding between two or three contracts, Bhiwandi only there were two contractors who bid on time, Pandharpur, three contractors were bidding on time and that Varanasi also only two contractors bidding on time so this is the difference. So we do not enter into direct competition when it comes to government projects.

**Pawan Ahluwalia:** Thank you.

**Moderator:** Thank you. The next question is from the line of Jason Stone from Monarch Network Capital. Please go ahead.

**Jason Stone:** Sir I understand with the current scenario you said that 15-20 days understanding the labour situation carefully but still from long-term or probably post-COVID kind of outlook how do you see things panning out in terms of order book for your company?

- P.S. Patel:** See actually if you really see our order book which is outstanding Rs.3073 Crores even if we see focus more on our project side and try to make maximum revenue this year after the impact of three months I think we are going to be able to do better job to Rs.3075 Crores. Now about the order book I have already told you, which is an order book of Rs.1713 which is the bid book so that we are bidding, we are not going to go out dynamically on this project. We strengthen ourselves in terms of operations by six months. First three months have already gone and next three months we have to gear up first on the project which we are already have and then we should target on getting more and more jobs.
- Jason Stone:** Sir how much is the bid book, you said? What is the number?
- P.S. Patel:** Bid book number I have already said you Rs.1713 Crores.
- Jason Stone:** Sir one thing to confirm here the labor shortage currently stands at 20% to 25% is that right as of now, in your opening remarks, you mentioned?
- Hetal Patel:** 20%.
- Jason Stone:** 20% to 25% and you expect if transport things work out then you expected 70% to 80% by end of June?
- P.S. Patel:** Yes.
- Jason Stone:** Thanks. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.
- Ravi Naredi:** In this environment you have given excellent result I can tell you in this way and Sir thanks for that. Sir other financial assets rises to Rs.128.43 Crores of what is details of same Sir? Other financial assets rose to Rs.128.43 Crores so what are the details of that financial?
- P.S. Patel:** You are saying balance sheet?
- Ravi Naredi:** Balance sheet item, it is on asset side and current assets this other financial asset is Rs.128.43 Crores versus Rs.49 Crores in last year?
- Hetal Patel:** This is mainly comprising of short-term retention income receivable and unbilled revenue so it has increased unbilled revenue also we are accounted because the majority of products

we have started so in new projects are there, there are more number of projects with unbilled revenue around Rs.100 Crores of revenues.

**Ravi Naredi:** Second Pratap Bhai this is Surat Diamond Project the party has extended deadline to March 2021 so it is possible to complete by March 2021 now?

**P.S. Patel:** Currently it seems post net positive by end of this month I still have a positive view on that we should be able to complete by March 2021, if we were able to regain full fledged operations in July.

**Ravi Naredi:** July, August will be the rainy season again the work will be possible?

**P.S. Patel:** This project is almost out of foundation and this is on the finishing stage so monsoon does not impact too much on the projects which are out of the foundation, few days when the monsoon on otherwise the activity which is going on inside the building it continues.

**Ravi Naredi:** Due to slowdown we will not face any problem in receiving the payment from Surat Diamond Project?

**P.S. Patel:** See we have been hearing slowdown on Surat Diamond.

**Ravi Naredi:** That I know because I am the shareholder since the inception of the company, so I knew it very well, just confirming?

**P.S. Patel:** Now at least they have paid us more than 1000 Crores I think we should serve them. The slowdown has not impacted too much on this project and as I always say the size of the project is, the ticket size of the project is so small which individual has to pay more of 15 lakhs to 20 lakhs per office so I think that will not impact on too much on our case.

**Ravi Naredi:** Definitely. Thank you for us.

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

**Prem Khurana:** Thank you for taking my question. Sir two questions from my side so one was essentially if you could help us understand what is our total exposure to Surat Diamond Bourse as of today essentially in terms of how much receivable that is due from Surat Diamond Project and what is the immobilization advance and if any unbilled revenue that you would have booked towards that project and what was the number last year?

- Hetal Patel:** See last year numbers I do not have handy with me but I can guide you about the receivables from Surat Diamond Bourse. The amount mentioned in the trade receivables does not contain any amounts of Surat because they have already paid the bill amount before March 31, 2020 and actually we have advances that will be lying in the liability side, we have mobilization advance and we have some advance also lying with us so at least Rs.60 Crores of total advances are there are currently come to the final view.
- Prem Khurana:** Any unbilled revenues from Surat Diamond Bourse Madam?
- Hetal Patel:** Unbilled revenue, we are booking unbilled revenue that is around Rs.25 to Rs.30 Crores of revenue that is mainly against this MEP execution and all so that mostly is build again in the next coming months.
- Prem Khurana:** If I were to understand correctly net-net I mean it is as if they have almost around Rs.25 odd Crores even number available with us, I mean mobilization effective and if adjusted for unbilled, we have Rs.25 odd Crores pending project, which is available with us and if you could also help me understand exactly what is hampering Bhiwandi because when you spoke last time in the month of February Q3 concall you said Bhiwandi is already mobilized and we have already started working in and when I look at order backlog there is no movement as such in Punjab?
- P.S. Patel:** Bhiwandi project originally I had told you in the last result also in December that we have applied for EC and we are waiting for the EC and EC I think we got just before the lockdown, before getting the EC we were just trying to mobilize so we have already installed our labour colony and we have installed our RMC plant. We have already ordered machines and without the EC we cannot start any of the operations but as and when we got our EC this is lockdown came up so just now we are waiting for labors to come back soon and we will start our operations.
- Prem Khurana:** Sure and Sir, is it fair to assume as far as all the projects that we have available with us most of these would have cost overrun clause in place because I mean we do not have labor as of now so which essentially this was delayed by sometime so basically some change in the cost structure as well?
- P.S. Patel:** Government project does not cover any escalation part as far as government projects are concerned and almost all the private projects most of the basic materials like cement, steel structures, flooring are basic item, so it is a pass through so only for government projects where we do not get that material escalation but yes for the other projects we are covered and safe guarded against size in material rates.



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- Prem Khurana:** Given this that the government projects did not have any escalation clause in place, are you still confident in the margins that you would have build for these projects at the time of bidding these projects?
- P.S. Patel:** It is a matter of this two or three months overheads, which we have incurred in the project, rest of the things as I earlier said there will be an impact of some money on part of maintaining social distancing for one or two months and that may give labor input less, that may give some labor rise to some of the activities and second is as the sanitization facility which we have to provide the labor colonies and during the scope of execution that may cost us some, but I do not see any large impact because of that.
- Prem Khurana:** Thank you. I have few more. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line Rukun Tarachandani from Kotak Mahindra Asset Management. Please go ahead.
- Rukun Tarachandani:** Thanks for taking my question. Just if you can give some more clarity on the increase in unbilled revenue as of March 31, 2020 so which are these projects or which has this amount increased considerably versus what it was let us say last year?
- Hetal Patel:** Currently whatever projects are included in the unbilled revenue majority of the projects are milestone-based project. I will give you examples of like IIM Project then Pandharpur also, Varanasi project is also milestone project so whatever work we have done but the stage of billing has not arrived so we booking it as unbilled revenue and within a month or so once billing stage has come so that will be converted into normal revenue and compared to previous year number of such projects has increased and volume is also on a higher side.
- Rukun Tarachandani:** As a percentage of revenues do you expect this to normalize or come down in the future quarter?
- P.S. Patel:** No because what will happen when say on quarter to quarter, the execution will continue so unbilled revenue will be on the similar state only because the volume of the project is also higher we can say passive is not Rs.330 Crores of project and as their high value projects are there so this volume of unbilled revenue also will be on a higher side.
- Rukun Tarachandani:** Thank you.
- Moderator:** Thank you. The next question is from the line Jiten Doshi from Axis Capital Limited. Please go ahead.

- Jiten Doshi:** Good evening Sir. Thank you for taking my question and congratulations on the superb revenue Sir. I have few questions in terms of retention mobilization. Sir, can you give me the outstanding retention mobilization advances and gross debt as on date?
- Hetal Patel:** See retention money we bifurcate on the recoverability you see if it is recoverable within one year, it will be current financial assets so that retention is around Rs.60 Crores of total retention which is recoverable after one year because new projects are being started so that retention will be due once the project completion in that particular stage comes. Regarding mobilization advance I will just give you currently mobilization advance is Rs.114 Crores compared to previous figure of Rs.135 Crores.
- Jiten Doshi:** These are interest bearing Madam?
- Hetal Patel:** No, not interest bearing. Only one project is there.
- Jiten Doshi:** Okay and gross debt Madam?
- Hetal Patel:** We have utilized around Rs.60 Crores of working capital that you can see in the borrowings.
- Jiten Doshi:** And term loan?
- Hetal Patel:** Term loan will be around Rs.5 Crores.
- Jiten Doshi:** So total gross debt is around Rs.65 Crores in March?
- Hetal Patel:** Yes Rs.68 Crores is the borrowing working capital utilization and Rs.5 Crores.
- Jiten Doshi:** 68 plus 5. Madam a few questions to Sir. Sir, in terms of this how many sites are operating out of the 47 sites? Second question is on the payment terms so Sir as you said you are executing projects which are the payments are based on milestone but Sir in the current situation we have seen that now the contractors are getting payments on monthly basis and not on milestone so do we see any terms changing or are we looking for any arrangement with our clients where we can get monthly basis payment and not milestone which then improve our liquidity?
- P.S. Patel:** There are few things has government had already declared that most of the bank guarantees which contractor has submitted on performance guarantee as and when the work is completed to some percentage they are going to get released those bank guarantee and they will keep the bank guarantees for the remaining work so that may help us to extent for some





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of the projects and based on that government rule in the government quarters we have requested some of our clients whose projects are completed more than 50% to release our bank guarantee so that we can at least get that 25% margin which has been there to utilize as the working capital.

**Jiten Doshi:** Sir my question was more on the execution part where you have done execution of Rs.100 but we will get only when you do Rs.150 but if you do Rs.100 in a month whether you will get those payment if you have discuss those with your clients?

**Hetal Patel:** See again it depends on department to department. Maximum the payment is always on a pro-rata basis but what type of activity going on which can be converted into pro-rata then we will pay it as a milestone, milestone divided to pro-rata on a monthly basis but when the milestone on a regular some stage of work and this is a single item when they may not.

**Jiten Doshi:** I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Dushyant Mishra from SageOne Investment Advisors. Please go ahead.

**Dushyant Mishra:** Sir my question is number one in the construction spent? My question was in your profit and loss statement, there is construction expenses have jumped quite a bit. First, what are the construction expenses?

**Hetal Patel:** It has increased during the quarter which is the stage of execution of certain projects because at the initial level the excavation work and labor consumption is more, so for such projects because of these reasons the expense has increased during this quarter.

**Dushyant Mishra:** Okay and then the second one is what is your interest rate on these loans because in finance cost is about Rs.15 Crores and you said the cost that was about Rs.73 Crores?

**Hetal Patel:** Finance cost mainly will include interest on working capital loan and bank guarantee projects also.

**Dushyant Mishra:** Right interest rates which you are bearing the working capital that seems quite high?

**Hetal Patel:** Bank guarantees also we have issued on a higher side because of the high volume of contract also that commission will increase. Bank guarantees Commission we have paid around Rs.4 Crores.

**Dushyant Mishra:** Thank you.



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**Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

**Nitin Arora:** Just few questions first is I just want to understand why such an aggressive accounting you have done on the revenue side where such high amount of unbilled revenues being taken when I think we were pretty certain after lockdown post March 20, that the cash realization would be difficult which rather inflates your working capital because cash generation to that revenue is miniscule. So I just wanted to understand why such aggressive accounting we have done on account of unbilled revenue which is showing your revenue on a higher side? The second question is just the database question if you can just give in the order book share of fixed cost proportion of order book that is my second question? Thank you.

**P.S. Patel:** It is not about all of bookings revenue aggressively it is about the expense, which is done for the activity. So if you are seeing the profit and loss statement of the books we have to consider to what is the stage of the work or which we have already paid towards our subcontractors and vendors so based on those subcontractors and vendors whatever payment has been done but since we are not able to book the bill because the milestone pro-rata basis is not allowing we have to book that unbilled revenue so this is how it is as per the books which are required and not on an aggressive basis, we have thought it is just the matter of coincidence that the last three projects, Varanasi started just in January when the lockdown opened, so most of the expenses which we have been incurred in those sets of projects we have to book that revenue and which is as per the guidelines given by the auditors.

**Hetal Patel:** On this unbilled revenue we will also include such bills which we have already submitted to the clients but since the client accepts only GST bills and until and unless the bills have been certified they will not accept the bill so we had to submit that bill and that we are showing on the unbilled revenue so this type of billing are also there. So within may be next 15 days or so the bills are getting certified and the bills converted into normal revenue.

**Nitin Arora:** Madam I will take your second part first, unbilled revenue will does not get certified as per Ind-As it does not come in the revenue right, we need to show it in the receivables?

**Hetal Patel:** No see we have already raised the bills right?

**Nitin Arora:** Yes, but it has not certified by the client right?

**Hetal Patel:** We are not reverting it to the client but we will be showing it as amount receivable from if you see in the balance sheet note last year we are showing it receivable from customers so it

is a constant asset we are showing that will include from receivable against unbilled revenue.

**Nitin Arora:** My second question how much of the order book is more on a fixed cost basis where the escalations are not provided on the fixed cost?

**P.S. Patel:** I do not have the perfect figure as of now we will come back to you. Out of this 3073 million kind of figure what are disbursed projects we will come back to you.

**Nitin Arora:** Thank you.

**Moderator:** Thank you. The next question is from the line of Dhiren Shah from First Capital. Please go ahead.

**Dhiren Shah:** Good evening Sir and congratulations for the good set of numbers. Sir my question was regarding particular to the order inflows but kind of order inflow you are guiding for FY2021 because you have bid for Rs.1700 Crores right, so last year we have received around Rs.1578 Crores so any order inflow guidance for FY2021?

**P.S. Patel:** See presently we are not in a position to give any guidance but usually what happens whatever revenue we generate we usually try to maintain such aspect of the book, inflow for that year so that the outstanding order book remains for at least one or one-and-a-half years so probably in present position we are not able to give you perfect guidelines but it should match from minimum to what we are going to get pretty well.

**Dhiren Shah:** Sir in L1 is around Rs.730 Crores, L1?

**P.S. Patel:** No, it is Rs.275 Crores.

**Dhiren Shah:** L1 is Rs.275 Crores?

**P.S. Patel:** Yes.

**Dhiren Shah:** Sir going that because of this COVID you may see some kind of a slowdown in the private capex so our order book will turn towards government side or do you feel the institution orders, the industrial order will continue come out in the system as it was there prior to the COVID?

**P.S. Patel:** I think prior COVID if there is no development from the private, it is not necessary that we will move to the government side. Presently we are having an order book of Rs.3073 Crores

which is more than sufficient for the next year at least, so we should see the conservative target on whatever the projects are and we have to be selective in getting the job. At the end of the day getting an order is not more important, execution is more important. So I would say rather first try to concentrate on execution of the project for next six months and then we will think about the new order book which we should target.

**Moderator:** Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

**Chintan Sheth:** Thanks for the opportunity Sir. Madam I just want a clarification just while back the unbilled revenue if you can provide the total unbilled revenue for the March ended 2020 and you also mentioned that fixed price milestone based projects IIM, Varanasi and Pandharpur, we have been able to book revenue but expenses are sitting on our P&L is it the right understanding if you can just clear that?

**Hetal Patel:** We have already booked the revenue against this projects but see the stage of project is such that we may be able to expense out and raise invoice for all types of expenses so that will be a different situation. We already started billing of this project like Pandharpur and all and regarding unbilled revenues I have already mentioned it is around Rs.110 Crores and that will include this billing on milestone projects also and such unbilled revenue which is against a submitted which we have received the certified bill.

**P.S. Patel:** I will give you very technical reason for this. If you consider Varanasi project, first milestone is on block to plinth. See block to plinth to blink is a very big activity, below plinth there is a major activity of filing then comes the file case then come to the column then come to the filling then comes to the rest work and then comes the wet clamp so considering all these activities sometimes the people are reluctant on understanding the words which are written in the content so for Varanasi also we have requested them to pay on rate basis limited to whatever milestone is going to be made as a total revenue so these depends on where the contract is going on most of the cases when there is a milestone payment, the payments are made on pro-rata basis of the activity which is very limited to maximum which is allowed as the contract but when there is a case when officers are not clear about how to pay then they stick to the centricity written in the contract these types of things happen how the unbilled revenue has to be booked based on these guidelines from the auditor.

**Chintan Sheth:** Right so this unbilled is booked in the revenue and expenses which we incur is also sitting in the P&L?



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- P.S. Patel:** Yes.
- Chintan Sheth:** Any stress on the orders we have in terms of client's kind of deferring rate of cancelling it or not moving because the stress we are seeing in the market?
- Hetal Patel:** As of now we are not heard from any of our clients.
- Chintan Sheth:** I will join back in queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Congratulations on a good set of numbers. Sir like you said before, we are now on the government projects typically we are having a milestone based payments so and the government being a client largely relies on the funding they typically take funding from the developer's balance sheet so is it right assume that going ahead our working capital will see a deterioration versus what we used to earlier I mean we have already seen that evidence that we used to be negative working capital now we have become positive working capital so with the focus more on government now limited capex on the private side so is it right to assume that the working capital may deteriorate further from the current levels?
- P.S. Patel:** It will not deteriorate that way because as I said it is based on milestone but it is always converted into pro-rata basis. There are few clients when it is not converted in to pro-rata on those projects we may face those types of problem but of course you are right while in private sector work is happening, the payments which you receive as an advance order or ad hoc payment is the only payment we are not receiving from the government otherwise the bills they can approve it is usually billed within seven to 10 days.
- Parikshit Kandpal:** Just on this non-fund base limits margin so banks are charging asking us almost as high as 25% so have you seen any because of the COVID and some relaxations being given by RBI for banks to reduce margins so have you seen on incremental FD limits the margins have been coming down, the cash margins?
- P.S. Patel:** We are not there, but any of the banks is getting reduced their margins it depends on the negotiation and the volume of bank guarantees which they are giving and depends on the consortium, now we have not heard any call based on the COVID that they are going to reduce the margin.
- Parikshit Kandpal:** Hetal Madam can you give a break of FDR basically in the balance sheet how much is the FDR and unutilized cash or encumbered cash break up of both?



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- Hetal Patel:** I had already mentioned the total FDR is Rs.237 Crores and out of which we have free FD of Rs.51 Crores and Rs.171 Crores FD is against bank guarantee margin and CC facilities.
- Parikshit Kandpal:** Okay, Rs.60 Crores you are using something Madam you just complete it please?
- P.S. Patel:** Yes Rs.15 Crores FD is given to the client as security deposits.
- Parikshit Kandpal:** Sir any update on that Central Vista project it s like they used to get little bit delayed I mean what is your view on that?
- P.S. Patel:** I think I should not comment with that project right now that is we can hope something will happen.
- Parikshit Kandpal:** But it is still in the unbilled?
- P.S. Patel:** There is nothing to hold on that project so it is going on so let us wait and watch how it develops.
- Parikshit Kandpal:** I will join in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir what is now fund based and non-fund based limit and what is on utilized last time it was Rs.610 Crores and unutilized was Rs.175 Crores?
- Hetal Patel:** Yes see currently bank guarantee, we have utilized to the extent of around Rs.400 Crores and around Rs.40 Crores of books that we are utilizing.
- Shravan Shah:** Sorry so out of total Rs.610 Crores how much is unutilized?
- Hetal Patel:** Rs.440 Crores we utilized in total.
- Shravan Shah:** Rs.440 Crores is utilized and secondly on just to clarity that you said that Rs.100 Crores is unbilled revenue so now how much would be so this is as on March so now have we received the payment out of that and if possible broader how much would be the number of unbilled revenue or how much we have received the payment against that?
- P.S. Patel:** Those unbilled revenues we will be put in the P&L. Some of the bills we have already taken in the month of April based on the unbilled revenues what we did in March and some of the

bills will still we will put once the site resumes. So it is an ongoing process. I think that June end it should be concluded for all the books.

**Hetal Patel:** Surat project we have already billed.

**P.S. Patel:** Surat project we have already billed because the work was going on.

**Shravan Shah:** Okay so we must have received at Rs.25 Crores to 30 Crores for Surat we must have received which was unbilled as on March?

**P.S. Patel:** The project which are based on milestones that milestone the work has been closed in April if that milestone is not achieved may be in June month we regain this whole process I think all these unbilled revenues has to be booked by June quarter if we can start some operations before that.

**Shravan Shah:** Sir just a thought process whatever the existing order book right now in terms of the capex that we would be doing for this year it would be Rs.20, Rs.25 Crores?

**P.S. Patel:** For next year you are asking?

**Shravan Shah:** This FY2021 in terms of the capex?

**P.S. Patel:** It will be in the same range what we have been doing till now. We have usually lend at 3% to 4% of the total revenue but this is our major capex that Surat is getting free so whatever new projects we want we would be requiring too much capex now so you can say it will be Rs.20 to Rs.25 Crores.

**Shravan Shah:** Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Karan Chopra an individual investor. Please go ahead.

**Karan Chopra:** All of my questions were answered. Thank you.

**Moderator:** Thank you very much. The next question is from the line of Aditya Choksi an individual investor. Please go ahead.

**Aditya Choksi:** Thank you for taking my question. Congratulations for good set of numbers. Sir I had a question it is a bit farsighted one if you can just throw up some light on the revenue growth for this year which everything was in place from the July month?



- P.S. Patel:** I think still we are not clear about projection for this year. We would like to see how this next two months move in terms of overall resuming the whole operation so I think this is too early to give us headlines for the whole year.
- Aditya Choksi:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Jiten Doshi from Axis Capital. Please go ahead.
- Jiten Doshi:** Thanks for taking my question. Sir I just wanted to know about it the fixed cost per month, run rate in terms of recurring fixed cost per month run rate so just wanted to know that and how many projects are operational as on date out of the 47 projects?
- Hetal Patel:** Currently we are incurring around Rs.2.5 Crores to Rs.3 Crores of fixed cost on the existing labor force and all though most of the laborers have returned to their home states so to that extent it will be lower and overheads will be ranging between Rs.2 Crores.
- Jiten Doshi:** In total we have about Rs.4 Crores to Rs.5 Crores of fixed cost per month?
- Hetal Patel:** Yes right, it may reduce.
- Jiten Doshi:** Madam and how many sites are operational as on date out of 47?
- P.S. Patel:** Total number of sites as of now is 47 but most of the smaller sites we have closed and we dictated it a few days on the Stock Exchange also and I think about 6 to 8 sites presently we are operating on whatever labors available?
- Jiten Doshi:** Which are these sites like Surat, I understand Surat must be under?
- P.S. Patel:** Surat, IIM, Nestle, Maruti, Dahod and Varanasi.
- Jiten Doshi:** Surat, IIM, Maruti, Dahod and Varanasi right Sir. Am I missing anything? IIM, Maruti, Dahod and Varanasi? What is your observation how early you can start, end of June you can start other sites what is your observation?
- P.S. Patel:** Presently the labors have started with the commence there so we probably hope that we pray that it will pick up transportation easily from the outstate, I think we should be few dates may be first week of July.
- Jiten Doshi:** Continuing to this question what is the order backlog of these sites, 6 to 8 sites right now?



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- P.S. Patel:** I think we have given order backlog of Rs.3073 Crores.
- Jiten Doshi:** No that is the total of these sites what is order backlog which is operational right now?
- P.S. Patel:** That figure I am not having as of now.
- Jiten Doshi:** I will take it offline. Thank you and all the best.
- Hetal Patel:** It is there in the presentation you can see. Major high value projects we have already mentioned.
- Jiten Doshi:** Okay Madam. I will check it.
- Moderator:** Thank you very much. Ladies and gentlemen due to time constraints that was the last question for today. I will now hand the conference over to Mr. Amber Singhania for closing comments.
- Amber Singhania:** Thank you. On behalf of Asian Market Securities, I thank everyone for joining this call and a special thanks to the management of PSP Projects Limited for providing the insight of about the company, business and future outlook and also providing us opportunity to host the call. Thank you. Sir would you like to add any concluding remarks?
- P.S. Patel:** Thanks a lot to you and all the participants. Thanks again.
- Hetal Patel:** Thanks everyone.
- Moderator:** Thank you very much. On behalf of Asian Market Securities this concludes this conference. Thank you for joining us. You may now disconnect your lines.