

Ref No: PSPPROJECT/SE/49/17-18

December 4, 2017

To,
The Manager,
Listing Operation
BSE Limited
Floor 25, P.J. Towers,
Dalal Street, Mumbai-400 001
Scrip Code: 540544

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

Dear Sir,

Subject: Q2FY18 Earnings Conference Call Transcript

In continuation to our earlier communication dated November 24, 2017 regarding conference call to discuss Q2FY18 financial results, please find enclosed copy of transcript regarding said investor conference held with the management on November 27, 2017.

Further, we would like to draw your kind attention that on page no. 5 at 33rd line and Page no. 6 at 4th & 6th, it was inadvertently said Rs. 90 crores as received from total mobilization advance receivables, but the actual received is Rs. 29 Crores from total mobilization advance receivable which is Rs. 90 Crores. The same has been put up as note at the end of the respective answers.

Kindly take the aforementioned information on record.

Thanking You,

For, PSP Projects Limited


Minakshi Tak
Company Secretary & Compliance Officer
Encl: A/a





“PSP Projects Limited Q2 FY18 Earnings Conference Call”

November 27, 2017



MANAGEMENT: MR. PS PATEL – CHAIRMAN, MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

MRS. HETAL PATEL – CHIEF FINANCIAL OFFICER.

MODERATOR: MR. UTSAV MEHTA – AMBIT CAPITAL



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November 27, 2017*

Moderator: Ladies and Gentlemen, Good Day and Welcome to the PSP Projects Q2 FY18 Earnings Conference Call, hosted by Ambit Capital. As a reminder, all participant lines will be in a 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 the operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Utsav Mehta from Ambit Capital. Thank you and over to you, sir.

Utsav Mehta: Good afternoon. We, at Ambit Capital, are thrilled to host the management of PSP Projects. We have Mr. P.S. Patel – Managing Director, and Mrs. Hetal Patel – CFO on the call with us. We will start with a brief commentary by the management and have a Q&A session thereafter. Thank you.

PS Patel: Good evening, Ladies and Gentlemen. This is PS Patel, Chairman, Managing Director and CEO for PSP Projects Limited. I welcome you all to this call which focuses on our company's performance in Q2 FY2018.

So, before we move to the financial statistics and performance for Q2, I would like to throw light on few of the key developments of this quarter. Company bagged orders worth Rs. 505 crores in quarter from industrial and institutional sector and we are glad that these projects majorly include hospitals, dairy and one of the commercial projects in Gandhinagar GIFT City, for which we are specialized and experience at. The major awarded projects include construction of medical college and hospital at Dahod in Gujarat, which is a design bid project for Ramanbhai Foundation. Dairy project for the Mandya District Cooperative Milk Producer Society United Limited at Karnataka. The third project is design build Iconic Tower at GIFT City for Dalal Street Commercial Corporate Society Limited, this is our sixth project in GIFT City. So, as of now, company's outstanding order book as on 30th September, 2017, is Rs. 1,150 crores, including 31 projects underexecution.

We just completed six more projects this quarter which made total number of projects completed by PSP till now to 93. Company started its operation in New Delhi also as mentioned above, received one more dairy project at Karnataka, which makes our total number of projects outside of Gujarat to 5. So, as planned, we are steadily expanding our fleet outside Gujarat slowly and strategically.

Company's average ticket size of the project is almost Rs. 45 crores in 2017-2018 compared to Rs. 8.50 crores in 2012-2013. Company is awarded as Most Admired Multidisciplinary Construction Company of the Year (Gujarat) by the Rising Leadership Award 2017. Apart from quarter two FY2018, an important announcement which will be part of quarter three, we are happy to announce that we are awarded the project of Surat Diamond Bourse which most of the people are knowing, amounting to Rs. 1,575 crores which is excluding GST in the month of



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October which needs to be completed in coming 30 months. The project value with GST is Rs. 1,858 crores.

So, these are the key highlights from my side. For detailed financial disclosures I will request our CFO – Hetal Patel, to take it forward. Thank you, everyone, for being a part of this call.

Hetal Patel:

Good evening, everyone. And welcome you once again. I will take you to the standalone financial highlights for the second quarter. Company's revenue from operations for quarter two is Rs. 139.55 crores, which has increased year-over-year by 80% compared to previous year's second quarter with revenue of Rs. 77.64 crores.

EBITDA for quarter two is Rs. 18.63 crores which has also gone up YoY basis by 66% as compared to previous year's second quarter EBITDA of Rs. 11.25 crores. The EBITDA margin stands at around 13.35 for this quarter which was slightly higher, up to 14.49 second quarter of corresponding previous year due to execution of projects without raw material was proportionately higher in previous year.

Profit after tax is Rs. 12.67 crores, which has increased at YoY basis at 97%, which was Rs. 6.43 crores in second quarter of previous year. The company has achieved PAT margin of 8.75% of quarter two as compared to 8.04% in corresponding previous year quarter.

While comparing quarter to quarter numbers, revenue from operation reduced by approximately 10%. If we look at the past trends of the industry, usually we have noted quarter two revenue ends up slightly lower than the first quarter due to seasonal sector. Profit after tax has marginally decreased by 6% compared to quarter one, while PAT margin has gone up from 8.44% to 8.75%.

If we have a look at the working capital days, the debtors' days has considerably gone up upto around 55 days due to revision of existing work orders during this quarter just to incorporate the GST effect on item rates. The invoicing was done accordingly on delayed basis. Creditors days are around 63 days, which are slightly higher compared to past time. Inventory days has increased to around nine days due to changes in the stages of execution.

Coming to the work on hand data, the total value of work on hand of Rs. 1,150 crores as on 30th September, which comprises of 66.05% from institutional projects, 15.22% from industrial projects, 10.53% from government projects, 5.86% from residential and 2.34% from government residential projects. This amount of work order on hand of Rs. 11.50 crores need to be executed over next 15 to 24 months.

If we look at region wise classification of work on hand, it is distributed over four regions. 73.94% will be executed within Gujarat, 11.73% will be executed in Karnataka, 10.99% of work on hand to be executed in Rajasthan and 3.34% will be executed in Delhi.



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Giving all of you a brief about utilization of IPO money up to 30th September, 2017, the company raised Rs. 151 crores from the primary issue, and out of which Rs. 63 crores were planned to utilize for working capital. If we look at the current numbers, up to 30th September we have utilized around Rs. 55 crores for working capital. Then out of funds allocated for CAPEX of Rs. 52 crores, we have utilized approximately Rs. 11 crores for purchase of machinery and shuttering material up to 30th September. Issue expenses incurred till end of quarter two is approximately Rs. 9 crores and funds of general corporate purposes of Rs. 26 crores remained unutilized till end of quarter two.

With this, I end up giving key highlights on the company. And now we are open for question-and-answer session. We request the moderator to take it forward.

Moderator: Sure. Thank you very much. We will now begin with the question-and-answer session. We have the first question from the line of Dhruv Agarwal from Crescita Investments. Please go ahead.

Dhruv Agarwal: Sir, my question is first regarding the order book, so whatever the breakup you have given, I suppose your order book now in hand is in excess of Rs. 2,700 crores, right?

PS Patel: Yes, but Rs. 1,150 crores is the order book till September end what we have declared, and thereafter order of Diamond Bourse came up.

Dhruv Agarwal: Right, okay. And sir, also I wanted to ask, what is the order pipeline as of now? And if you are L1 in any of the orders?

PS Patel: No, it is not like that, anywhere we have not scored L1 but yes we have quoted two or three projects. And about I think Rs. 300 crores - Rs. 400 crores order tendering must be on.

Dhruv Agarwal: And sir, is it that your second half of the year is better than the first half? Because I understand in the first half due to monsoon and all factors there must be a slow execution on your part, but is the second half more better than the first half in that way?

PS Patel: You can say like that because it is a general trend where most of the construction companies get low sales in March, April, May because of marriage season and summer; and June, July, August because of monsoon. So, we can say that, yes, this is the peak time for any construction company to do business.

Dhruv Agarwal: Right. And sir last thing, so on a consolidated basis do you see your turnover crossing Rs. 600 crores this year?

Hetal Patel: Currently we are not having the consolidated numbers on hand.

Dhruv Agarwal: Okay. Last thing about EBITDA margins, are the EBITDA margins in the range of 15% - 16% sustainable going forward?



- PS Patel:** No, it will be in the range of 12% and 13%, it would not be between 15% - 16%, because for the time if you see last previous quarters when we declared our results, the projects were mostly without cement and steel. When we work for a corporate company they give us the project without cement and steel. So, when a major material like cement and steel, sometimes granite and other materials does not get included in the top-line, so you would see EBITDA margins last quarter also till March you were seeing that 14% - 15%, but generally if you compare and the project is with material, including all material, now after GST most of the companies are going to give us order with material because that input credit can only be availed if they put cement and steel in our scope. So, after getting the cement and steel on our project cost or our top-line I would say it will be somewhere in the range of 12% and 13%.
- Moderator:** Thank you. We have the next question from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.
- Parkishit Kandpal:** Sir, just wanted to understand on this Surat project, so have we already started execution on this project?
- PS Patel:** Yes, we have already started execution fro last Month.
- Parkishit Kandpal:** Okay. And since this almost as big as Rs. 1,600 crores versus order book which has been Rs. 700 crores to Rs. 1000 crores, so are we geared in terms of manpower addition, fund limits in terms of balance sheet, what kind of payment terms we have in this project and how it will impact our working capital as execution picks up?
- PS Patel:** This project is a turnkey project for us, all design includes the company's architect and then onwards this will be a lump-sum contract with variation of steel, cement, granite and other finishing material, that will be plus or minus paid off. So, any value going beyond Rs. 1,575 crores being part of purchase of cement, steel and finishing material like granite or tiles or vitrified tiles, these are all basic kind of thing. Going further, as far as the working capital is concerned, we are going to receive 5% advance for this whole project, so that will be in the range of about Rs. 80 crores plus GST. And overall payment cycle is as such that the activities which we complete is going to be paid on monthly basis, so there would not be much big issue in terms of working capital.
- Parkishit Kandpal:** Okay. Because monthly billing should be, like if I go by monthly billing it is like Rs. 52 crores, so if there is a month's delay or two months' delay, so that can have a significant impact on your working capital. So, debtor days have already inched up...
- PS Patel:** The total volume of project which is given to you is Rs. 1,575 crores and 5% mobilization and we have already received Rs. 90 crores. And initially the project may not be going as you have calculated as Rs. 50 crores per month because it cannot be like that, because when we just start the project and when you are in the structured part, this maximum value of the project, the exact



value will be somewhere between Rs. 30 crores and Rs. 40 crores. And when you are going Rs. 1 crores or Rs. 2 crores, most probably they are not going to delay the payment after 15 to 20 days after submission of the bill. But still, they have delayed two months, there would not be more than Rs. 60 crores, out of which we have already received Rs. 90 crores at any point of time. (Note: On the call, it was inadvertently said Rs. 90 crores as received from total mobilization advance receivables, but the actual received is Rs. 29 Crores from total mobilization advance receivable which is Rs. 90 Crores).

Parkishit Kandpal: Okay, so you have already received Rs. 90 crores mobilization advance?

PS Patel: Yes. (Note: On the call, it was inadvertently said Rs. 90 crores as received from total mobilization advance receivables, but the actual received is Rs. 29 Crores from total mobilization advance receivable which is Rs. 90 Crores).

Parkishit Kandpal: And how is it payable, is it deductible with every payment or depends on physical progress like significant project is completed then only?

PS Patel: Pardon me?

Parkishit Kandpal: When this starts repaying your advances?

PS Patel: It will be based on 5% of the work which we do. If they have paid us 5% and if I do a work of Rs. 50 crores, 50 crores into 5% is Rs. 2.5 crores they are going to take from each bill, for the value of earlier bill which I raised multiplied by 5%, that is how they are going to...

Parkishit Kandpal: Okay, so it will be like for entire period the advance will be deducted at 5%?

PS Patel: Yes, mostly probably by the end of 24 to 30 months.

Parkishit Kandpal: And sir what kind of CAPEX you are going to incur for this project?

PS Patel: Really most of the project CAPEX we will be doing 4% to 5%, probably this project will also be in the same range, let us see how the whole project goes and how much certain material we have to buy and how much we can recover from our existing resources. So, maximum it can go up to 4%.

Parkishit Kandpal: And this will be upfront, like how it will be CAPEX...

PS Patel: It will not be upfront, because see once we start construction three months is almost part of excavation and you start the basic foundation work. And when you are in the foundation it is going to take minimum four to six months, including excavation, you would not require such



huge CAPEX in terms of shuttering material. But when we are out of basement we may be requiring that.

Parkishit Kandpal: Okay. And just on your revenues, is the revenue gross of GST or net of GST in this quarter?

Hetal Patel: It is net of GST, GST will be payable to the government.

Parkishit Kandpal: No, I am saying, if I compare YoY there has been 10% fall, so is it also on account of GST, YoY last quarter will be grassed up with GST, right?

Hetal Patel: Normally taxes are not included in sales, compared to services tax and all, yes rate of service tax was lower and GST is on higher side. But this revenue is excluding GST.

Parkishit Kandpal: But last year you had service tax and other things, taxation was included, all the taxes were included...

Hetal Patel: Keep it out of the revenue because that needs to be paid to the government, so it is a liability to be disbursed.

Parkishit Kandpal: Okay. Just lastly, so what is the component of order book which excludes the material?

Hetal Patel: Now only a couple of projects which are such wherein material are provided by the...

Parkishit Kandpal: In terms of value if you can quantify, is it like very significant or it will be like...?

Hetal Patel: We do not have that value but only if the amount is to be...

PS Patel: Because most of the projects which we are doing these are the projects which we are doing since last 1.5 years, those projects continued with cement and steel where steel is free. But probably that must not be more than Rs. 30 crores, Rs. 40 crores or Rs. 50 crores as of now.

Moderator: Thank you. We have the next question from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Sir, on the Diamond Bourse project execution, I just could not hear, what is the execution period?

PS Patel: Execution period defined in the project is 30 months.

Madan Gopal: And you will start booking revenue from when?

PS Patel: See, presently we are at the stage of mobilization and excavation, so that is the work which will continue for at least 60 - 65 days. So, we have just started the mobilization and we have also started excavation, so probably we will be booking some revenue in January or February.



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- Madan Gopal:** Okay. Monthly payment that is what you mentioned that I could hear?
- PS Patel:** Yes, it will be on monthly basis, whatever work we have executed till that date, yes.
- Madan Gopal:** And in case of new projects, you think another Rs. 500 crores is possible for the year in new orders?
- PS Patel:** Yes the pace with which we have been quoting and the experience which I have in my past one or two years, yes, about Rs. 1,500 crores orders we are going to bear in next six months.
- Madan Gopal:** How much, sorry I missed out, what did you say?
- PS Patel:** Another Rs. 400 crores or Rs. 500 crores project can be part of this year as a new order book.
- Moderator:** Thank you. We have the next question from the line of Bharanidharvijay Kumar from Spark Capital. Please go ahead.
- Bharanidharvijay Kumar:** My first question is on our strategy outside Gujarat, so we were trying to get projects from the Amaravati city project and couple of projects in other places like Kochi metro. So, can you highlight what are the status there?
- PS Patel:** Sir, what previously also we will be going there conservatively strategically of Gujarat, because the experience which we have in educational institute, so we are not generally bidding for all types of project all over India, so state-by-state wherever we are getting opportunities we have been quoting for those type of projects. So, first dairy which we got in Bangalore, on the same line Karnataka came up with new tender of new dairy, it is about 250 to 260 kilometers from my existing site, we bided for that we stood lowest. We are already doing two projects in Rajasthan, you know that is one medical college and one is ESIC hospital. We are doing one project in Delhi, that is integrated site, interior project. So, still we have not received any enquiry from Amaravati project, but yes, Hyderabad IIT we are expecting that enquiry should come may be somewhere by end of December or mid of December. So, we will not be focusing too much out of Gujarat because we still have plenty of work to do in Gujarat, but of course whenever we get the right opportunity to go out of Gujarat we would like to strengthen, and we would like to keep our sales to be more than 30% and not less than 20% from out of Gujarat.
- Bharanidharvijay Kumar:** Understood. My second question is on our Diamond Bourse project, so can you tell us the L2 details, like what was the difference between our bid and the L2 bid?
- PS Patel:** Sir, actually when you quote for a private project tenders are never opened in front of everybody and the figures are never shared with us. But probably the figures which I have got from the market is it was about Rs. 30 crores or Rs. 35 crores.
- Bharanidharvijay Kumar:** It is higher than us, you mean?



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PS Patel: Yes.

Bharanidharvijay Kumar: Okay. And in the same light, on the same project, so our average ticket size of the project that we have is around Rs. 45 crores, you just mentioned in the opening remarks. So, obviously, this project is of a different scale, so how did we get qualified for large project like this?

PS Patel: Sir, actually what has happened, when they were asking for so many vendors to apply for this project, it started somewhere in January 2017, so they just knew about our company, we did one large project of government that is Rs. 242 crores, area was about 18 lakh square feet which was to be completed in 30 months and we did in 24 months and that was a record breaking timeline and that was the talk of the town. So they also gave us that opportunity and asked that if the turnover of any company is till Rs. 500 crores we can qualify them for this type of project and the presentation, we were asked first for presentation and then we were qualified. And in the presentation also they could understand and they could see the confidence that we can handle such type of project. So, they qualified us and actually we stood lowest also.

Moderator: Thank you. We have the next question from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Sir, sorry I joined late, can you give project detail, order detail as on today?

PS Patel: See, the orders till September 2017 was Rs. 1,150 crores and then we received this order of Diamond Bourse which adds to Rs. 1,575 crores without taxes. So, that makes Rs. 2,675 crores of outstanding order book.

Moderator: Thank you. We have the next question from the line of Ankita Shah from Elara Capital. Please go ahead.

Ankita Shah: Sir, my question was on the receivables that have increased in the first half of this year, I understand it is because of GST, so how is it likely to be going forward once we start execution on new projects and it gets normalized?

PS Patel: See, the basic problem with last quarter and going beyond general cycle was that I have already shared with you, it was related to GST. As most of the orders has to be revised and most of the companies with whom we are working are basically working with SAP. So, till the orders are revised they were not able to make payments, they were making payments up to 70% - 75% on ad-hock basis but they cannot book the bills. So, that was the reason that the debtor days are extended. But in future also the payment cycle which we usually raised bill at 25 days, it closes like 75% of payment has to be made within 7 to 10 days and rest of the payment has to be made within further 15 days. The total cycle remains as 30 days - 35 days, so probably we will be expecting it should be limited to 40 days maximum.



- Ankita Shah:** So, by Q4 can we see it coming back to 30 - 40 debtor days again?
- PS Patel:** Yes, 40-45 days you can say. Because all the time there are so many people involved in certifying the bill, there is PMC, there is architect that is the employer, so it is not like a government, the government is a single identity who just prepares the bill and straight away pushes that bill to the account department. In private sector usually there are three or four stages of checking, which sometimes takes time and then you have the latest part where account people take some time, so we can say 40 - 45 days.
- Ankita Shah:** And sir, what would be the ideal mix between Gujarat and non-Gujarat projects that we would be looking at?
- PS Patel:** As such we have not decided there will be some mix, we will be mostly focused on Gujarat, basically near Ahmadabad, in and around Ahmadabad. And whenever we get a large size opportunity in Dahej or Vapi or Surat we will be trying to capture that opportunity.
- Ankita Shah:** Okay. Sir, there is lot of action happening in the Gujarat side, particularly on the affordable housing project, also government projects. Are we looking at doing these kind of projects as well?
- PS Patel:** The affordable housing project, we have done two projects, one was the second largest project of Gujarat and the rate at which we worked before three years, presently the rates that the other contractors are quoting is much below that line, so we are not able to compete with them. So, if the project size is large and good companies are going to bid, we will be bidding otherwise project sizes up to Rs. 100 crores rates are so low that presently we are not able to compete with them.
- Moderator:** Thank you. We have the next question from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.
- Chintan Sheth:** Sir, one question on net block, our net block compared to March number has declined from Rs. 51 crores to close to Rs. 40 crores. Are there any restatement because of accounting change or why was fixed asset declined?
- Hetal Patel:** Yes, I will just brief you about this. As per the IndAS requirements the land which we are planning to exchange that has been shown separately in the balance sheet. So, to that extent net block has reduced, that is around Rs. 18 crores. Yes, so compared to previous years that change is there in presentation.
- Chintan Sheth:** That Rs. 18 crores is the amount in the current asset head for sale, that is what you are mentioning about, right?
- Hetal Patel:** Yes.



- Chintan Sheth:** That is required to compare the gross block?
- Hetal Patel:** Yes.
- Chintan Sheth:** Okay. And second, our EBITDA margin you mentioned because previous year there was ex-material project you have executed, so going forward as already you have mentioned Rs. 30 crores - Rs. 40 crores odd orders are still ex-material which will likely be executed over this second half. So, this run rate is likely to maintain, margins for this year at least?
- Hetal Patel:** Yes, for the quarter should be same. On an average 12% to 13% margin will be there.
- Moderator:** Thank you. We have the next question from the line of Sunil Jain from Nirmal Bang. Please go ahead.
- Sunil Jain:** Sir, my question relates to the order book which you had as of 30th September, that is Rs. 1,150 crores, what is the execution period for that?
- PS Patel:** See, the project if you say the last project which I already mentioned, one is the Dahod project which is design build project for medical college, second was Mandya dairy and the third was Gandhinagar GIFT City. So, the hospital project will be somewhere between 24 months and this Mandya dairy competition time is one year and the GIFT Tower City that is Rs. 130 crores project which needs to be completed in 18 months. So, we can say it is between 18 and 24 months.
- Sunil Jain:** And all these three projects combined will be how much?
- PS Patel:** It will be almost in the range of Rs. 500 crores, because I mentioned only three large projects, there will be few small orders also.
- Sunil Jain:** So, in this Rs. 1,150 crores whatever you had mentioned, these are net projects, means out of this whatever has been executed has already been executed?
- PS Patel:** Yes, inclusion of the orders in the quarter September 2017.
- Sunil Jain:** Okay. Rs. 1,150 crores are net order book outstanding as of 30th September?
- PS Patel:** Yes, after deduction of whatever work we have done.
- Sunil Jain:** And sir, are you sharing any guidance, how much revenue you can do in FY18 or FY19?
- PS Patel:** Presently we cannot share it, but let us see it will be on the same line what we have previously shared with you.



- Moderator:** Thank you. We have the next question from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.
- Parkishit Kandpal:** Sir, for this Diamond Bourse project, the funding from the client side is already in place or it comes like in a time bound manner it comes in, so how does the funding happen for this project?
- PS Patel:** Okay. Actually this association we have already sold 85% or 90% of the property to fixed clients, so now it is a question of collection on different, different stages. So, I think whatever I have heard till now from the management, they have already received Rs. 600 crores as first installment. And as and when work continues they will go on collecting installments from the office buyers.
- Parkishit Kandpal:** Okay, so it is linked to the construction progress?
- PS Patel:** Yes.
- Parkishit Kandpal:** Okay. Sir, right now you have an order book of Rs. 2,700 crores and if I look at even at the 1H revenues, I mean if I annualize it, so probably Rs. 600 crores to Rs. 700 crores, so we are almost four times book to value, but we still want to bid for new orders. So, don't you think we should take a pause and consolidate at the current level of execution and then ramp-up and look for growth?
- PS Patel:** Yes, you are absolutely right. Presently what we are bidding is we are very much selective, because this Rs. 1,574 crores has to be stabilized till January, February, then only we will be bidding. Presently also 300 - 400 odd tenders which we have already bided, we are hoping that out of that may be 10% or 15% or maximum 20% will turn out to be positive. So, we will be more concentrated on getting these projects of diamond bourse, and two or three projects which we received in September, that has to also stabilize till January. So, we will be more considering on project side rather than bidding side as of now.
- Parkishit Kandpal:** Okay. We had won a project from GIFT City, have we started that project?
- PS Patel:** No, actually what has happened we have received the order from the BSE Forum Association, but tomorrow morning they are going to come and sign the final agreement with GIFT City, then only we can start the construction. So, we have received the order but clear operations will start somewhere in January, February because it is a design build project. So, once they sign the agreement with the GIFT City I have to complete my design part first, that will take 1.5 months to 2 months. So, probably on ground we will be able to do some work in January.
- Parkishit Kandpal:** Okay. And regards with the form work, what is typically the life like which we are consider while accounting it in balance sheet?



- Hetal Patel:** See, it depends on type of form work, means what is the quality of form work. So, depending on that we need to select the lifecycle. Normally if it is a ply or if it is a metal form work then it will differentiate.
- Parkishit Kandpal:** But on an average how much would be the range?
- Hetal Patel:** Three to five years we can say, and in case of certain materials we can use over seven years also.
- Parkishit Kandpal:** Okay. Lastly, can you just give any guidance of taking in consideration diamond bourse project, so what will be the guidance on CAPEX for FY18 and FY19, if you can give that data?
- PS Patel:** The CAPEX requirement for the first quarter till March 2018 will be about 70% - 80% of the total whatever we are thinking about, so that will be in the range of Rs. 25 crores to Rs. 30 crores or may be Rs. 40 crores.
- Parkishit Kandpal:** Okay. I think the major part of execution in Diamond bourse will not come in in this year, so for the next year there will be significant step up in CAPEX?
- PS Patel:** No, there would not be significant step up in CAPEX as most of the CAPEX which we are going to purchase is in machinery before March. So, thereafter there will not be too much buying on the CAPEX side, because when you start a project most of the things which you need after you move into detailed planning, we usually start buying because by that time it reaches to execution time the material is ready at site. So, probably most of the CAPEX and most of the expenses will be made by March, and after March there would not be much expenditure on CAPEX side.
- Parkishit Kandpal:** Because I was coming from a point that earlier when you had raised the money, so we have forecasted Rs. 52 crores of CAPEX, so now this big project has also come in and you said that the CAPEX could be 4% to 5% of the total project cost, which could be again another Rs. 60 crores. So, I was expecting like total Rs. 120 crores of CAPEX should have happened in this year and next year included. So, you are saying you are going to spend only...?
- PS Patel:** See, I am separating these two projects, one is the IPO money which we are already utilizing for other small, small projects. And the second is diamond bourse project for which we have already received, going to get 5% mobilization advance. So, we will be utilizing that money, 30% to 40% will be utilized from that project only. So I am not comparing with the IPO money as CAPEX.
- Parkishit Kandpal:** But for accounting purpose we will be including that, roughly around Rs. 80 crores is like probably next two years?
- PS Patel:** Yes, you can say that.



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

Prem Khurana: Most of my questions have already been answered, just one, I was wondering if you could share your thoughts on competitive intensity? I think somewhere in your comments you spoke about competitive intensity being very high and which is where we are losing out to some of our peers, especially on projects which are kind of somewhat smaller in size. So, how is the competitive intensity in somewhat larger projects and in which segment are we seeing significant competitive intensity, as in terms of residential, dairy or medical institutes that we do?

PS Patel: See, as you know about my company's profile, we are mostly operating for private institutions and corporate institution projects. So, for government project you must have seen that three or four projects we have done till now, large size projects. The competition is good and pre-qualification criteria's are strong where L&T, Shapoorji, all those top-line companies are bidding, then it makes sense for a company like us to build in a healthy environment. So, when we talk about pure government projects like these housing projects or the school building or the hospital project, there is a huge competition till 100 crores to Rs. 150 crores, and most of the tenders are going below these estimates. So, we are not able to cope up with the competition. But at the end of the day, as you know, we are not pure government contractors, when we bid for a government project only when there is some prestige behind it or some value addition or the project size is large, the criteria's are very strong where we can bid with good companies. So, general government projects is not our market actually.

Prem Khurana: Okay. And in terms of current net worth or the kind of execution capabilities that we have or the work that we have done historically, what kind of single order can we bid for on government side? I understand on private side there is no restriction as such.

PS Patel: Presently we have been bidding and we have been putting up our prequalifying tenders in some of the projects, so presently we can say our tender bid capacity for government is up to Rs. 500 crores.

Moderator: Thank you. We have the next question from the line of Bharanidharvijay Kumar from Spark Capital. Please go ahead.

Bharanidharvijay Kumar: Sir, if I understood right, we have got order inflow of close to about Rs. 2,200 crores this year so far and you mentioned we would get another Rs. 400 crores by end of FY18, that is till March, right?

PS Patel: Yes.

Bharanidharvijay Kumar: Okay. And any guidance for FY19 order inflow?



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PS Patel: Actually, the size of projects which we are bidding is Rs. 40 crores to Rs. 50 crores and the timeline for such type of projects varies from nine months to 14 months. So, each time we have to bid for one or the other project. So, we exactly cannot come out with data that how much opportunity will come in 2019, but of course as you know that we have this name in this corporate world, we have this name in educational field, we have that name in hospital. So, we are getting better and better opportunities, we are hopeful that we will be getting at least on the same line what we have been gathering till now.

Bharanidharvijay Kumar: Understood. Sir, the second question is on order book, so what would be the proportion of order book where there is no pass through of cost on cement, raw material, etc?

PS Patel: Most of the projects for which we are executing now these are all pass through based cost, only the projects when we bid for government project then only there is no pass through cost, otherwise most of the project which we execute always there is a pass through cost of base cement and steel.

Bharanidharvijay Kumar: Right. So, your initial comments that government comprises 11% plus 6%, 17% government projects, so 17% will not have pass through?

PS Patel: Yes, you can say as of now it is there. And the only project which we are doing on larger side is Vidhan Sabha and that is purely an interior project where cement and steel is not to be utilized too much.

Bharanidharvijay Kumar: And diamond bourse, though it is a design build project it has escalation or pass through for raw materials, right?

PS Patel: Yes, it has pass through or all major raw materials.

Bharanidharvijay Kumar: But labor will not have pass through?

PS Patel: No, labor escalation we have to consider for the timeline which we have agreed.

Bharanidharvijay Kumar: So, how much will be the escalation you have considered, sir?

PS Patel: That depends on how the project condition is, and then when we have project when enforcement and shifting activities continue up to 14 - 16 months, the labor contractors do not ask for escalation if the type of work which is allotted to him is almost at the end of completion. But still you can say 8% to 10% rise every year in terms of labor is going to come.

Bharanidharvijay Kumar: What will be the number of sub-contractor laborers now and what will be increase after taking up this large project?



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- PS Patel:** That figure exactly I cannot share now and I do not have that data ready. But presently we are having 6,500 or 7,000 people on our all sites. And diamond bourse just we have started mobilization, about 100 people are there working just now, because major activity going on is excavation and excavation machineries require not labors now.
- Moderator:** Thank you. We have the next question from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Sir, for whatever funds we are having, how many orders we can allocate without raising any capital in future?
- Hetal Patel:** We can complete whatever order book we are having currently. So, out of current funds what we are having, because as you know our debtor days are around 30 - 35 days, so our working capital cycle is set. So, in near future we may not require infuse of further capital.
- Ravi Naredi:** Near future means we can say up to one to two years no need of any raising of capital?
- PS Patel:** At least one year you can say.
- Moderator:** Thank you. Our next question is from the line of Darshan Sanghvi from Reliance Portfolio Management. Please go ahead.
- Darshan Sanghvi:** Sir, can you throw some light on what kind of penalties or charges you all face if there is a breach of deadline or something like that in case of any project?
- PS Patel:** Usually that depends on project to project, that is limited from 1% to 2.5%.
- Darshan Sanghvi:** Of the project cost or...?
- PS Patel:** Yes, of the project cost or the value of work order given to you.
- Moderator:** Thank you. That was the last question in queue. As there are no further questions, I would like to hand the conference back to the management for any closing comments.
- PS Patel:** Thank you very much. Thanks again to everybody for participating on this con-call. Thank you.
- Heti Patel:** Thank you.
- Moderator:** Thank you very much. On behalf of Ambit Capital, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.