



“PSP Projects Limited
Q2 FY 2020 Earnings Conference Call”

October 23, 2019



**ANALYST: MR. AMBER SINGHANIA - ASIAN MARKET SECURITIES
PVT. LTD.**

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



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Moderator: Ladies and gentlemen, good day and welcome to the PSP Projects Limited Q2 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 Q2 FY2020 Earnings Conference Call for PSP Projects Limited. We have with us today, Mr. P.S. Patel, Managing Director and Promoter of the Company, Mrs. Hetal Patel, CFO representing the company along with their team. We would start with some brief update about results from the management side and then we can move to question and answer session.

I now request Mr. Patel to take us through the quarterly results and latest updates on the company and then we will move to question and answer session.

P.S. Patel: Thank you Amber. Good evening ladies and gentlemen. This is P.S. Patel Chairman and Managing Director and CEO of PSP Projects Limited along with Hetal Patel, CFO, welcome you all at this call, which focuses on our Company’s performance in Q2 FY2020.

So let me give you few of the key developments took place in this quarter. To start with, I am glad to share the awards which we have received in recent past from our various institutes.

PSP Projects is awarded as second fastest growing construction company in below Rs. 2000 Crores category by Construction World Global Awards 2019. They have also awarded us for one of India’s Top Challengers second year in a row. Zee Business Award “Dare to Dream Award” has been facilitated to PSP as a company of the year in construction sector. For Project Assembly Building at Sardar Bhavan campus Gujarat was circulated as IGBC new building gold rating during Green Building Congress 2019 at Hyderabad. CREDAI has also honored PSP as the fastest growing construction and engineering company during CREDAI Gujarat Growth Ambassadors Summit in 2019. CNBC Bazaar Gujarat Real Estates awards 2018-19 has also honored PSP with a Special Commendation for Building with High Quality and Innovative Infrastructure.



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Company has bagged orders worth Rs.. 860 Crores by end of quarter two. The orders are mainly from industrial, institutional, residential and government residential sectors. One of the recent prestigious orders received in this quarter is an EPC contract of construction of hospital for Maruti Suzuki at Pethapur Gujarat. We have successfully completed six more projects this quarter which took our number of completed projects to 130 till June end. The major completed projects include Phase 2 of Dharmsinh Desai University, BAMUL Dairy at Bengaluru including all additional scopes, Torrent Pharmaceutical Plant at Sanand, Brigade Hotel at GIFT City Gandhinagar. So company's outstanding order book as on September 30, 2019 is Rs..3191 Crores including 48 projects under execution. Without Surat Diamond Bourse work on hand is 2212 Crores.

Company has booked revenue of Rs..312.52 Crores revenue from operations this quarter where we have got 49% year-on-year growth. Company's current bid book is about Rs..2000 Crores in which the major tenders include GRDC Project at GIFT City of 250 Crores, LIC building at GIFT City at Rs..150 Crores, Bank of Baroda project at Ahmedabad of Rs..70 Crores, residential colony for Vedanta at Barmer Rs..200 Crores Nestle India Plant at Sanand of 100 plus Crores.

Now talking about the Surat Diamond Bourse work progress we are still doing the best things in terms of construction so presently we have almost completed 5 towers and almost 4 towers we are going to complete by December and now we have also started work with full fledged which is going to be completed for 5 towers by December end and rest 4 towers which we are targeting to complete by April end.

Looking to the total timeline of the projects, the timeline given by the committee or the tender stage it was 30 months, but the project has got delayed in terms of approval of some of the finishing materials from the client side as the whole RCC work was over but we could not start the flooring work which was to be decided by client because it was base rate item and now it has been concluded so the project has been extended for 10 months against which we have concluded that we will be completing this as a project of 36 months and which we feel that it is comfortable to complete the project in 36 months.

There is no further update on USA. It is as it is what we did that in June quarter, so these were key highlight from my side. For detailed financial disclosure, I will request our CFO itself further to take it forward. Thank you everyone for be a part of this call. Thank you.

Hetal Patel:

Thank you Sir. Good afternoon everyone and welcome on the call. Let me give you highlights on standalone financial results for the quarter ended on September 30, 2019.



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Company has booked revenue from operations of Rs..312 Crores for Q2, which has increased on YoY basis by 49% as compared to previous year's second quarter revenue of Rs..209 Crores. The revenue generated from SDB Project, Surat Project was Rs..88 Crores during this quarter. Total revenue booked for Surat Project till September 30, 2019 is Rs..596 Crores.

EBITDA for Q2 is Rs..43 Crores, which has gone up on YoY basis by 47% compared to previous year's second quarter EBITDA of Rs..29 Crores.

Profit after tax including other comprehensive income for the quarter is Rs..32.71 Crores, which has increased at year-on-year basis by 83%, which was Rs..18 Crores in second quarter of previous year.

PAT margin stood at 10.24% for Q2 FY2020. Increase in PAT is mainly due to reduction in income tax provisions. With respect to the recent amendment Income Tax laws, company has decided opt for reduction of rates tax rate to 25.17% from the current tax rate of 34.94% and necessary effect for the current financial year has been given in this quarter results.

The reduction in income tax provision for both the quarters has amounted to Rs..8 Crores. During the quarter finance cost has increased due to utilization of fund based facilities in the form of short-term borrowings which stood at 70 Crores as on September 30, 2019 as compared to Rs. 25 Crores as on March 31, 2019.

The company has total cash and bank balances including fixed deposits of Rs..267 Crores out of which Rs..137 Crores is shown as a cash and cash equivalent which includes FD with maturity of three months or less. FDs having maturity of more than three months but less 12 months are shown as other bank balances, which amount to Rs..85 Crores. Balance fixed deposit of 45 Crores with maturity of more than 12 months are disclosed under other noncurrent financial assets.

As on September 30, 2019 the company has free deposits of Rs..45 Crores, FDs worth Rs..187 Crores are under lien with bank for credit facilities and FD is given to client as a security deposit amounts to Rs..15 Crores. Inventory days have gone up to 34 days owing to MEP and façade stock at Surat site. Out of total inventory of Rs..115 Crores, Surat Project stock including WIP contributes to Rs..64 Crores.



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Work-on-hand data as on September 30, 2019 is Rs..3191 Crores, which comprises of Rs..980 Crores for Surat Diamond Bourse Project and Rs..2211 Crores for other projects. Detailed bifurcation of work on hand has been given on our presentation uploaded on site.

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

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

Bharani Vijaykumar: Good evening Sir. The first question is regarding any slow moving orders in our order book at present?

P.S. Patel: There you can consider any one project which is slow moving that is the Atari Project of Torrent Pharmaceuticals Limited at Dahej, which we have completed the compound wall, but we are waiting for the drawings to come to start the main building so that is the only slow moving project we can consider as of now and regarding new project which is there in Bhiwandi so we have already started mobilization and we have already applied for EC, so that is again process of two and a half months so I do not think that can considered as slow moving, that is a part of the process, so only Atari can be considered as slow moving project as of now.

Bharani Vijaykumar: Okay so CWS Project could start in the beginning of FY2021?

P.S. Patel: No. I think we should be able to start somewhere in the month of December.

Bharani Vijaykumar: What about this affordable housing project in Bhandarpur, Maharashtra Sir?

P.S. Patel: It is going on-time. Now we have started with the full-fledged with one-third of the project and most of the foundation work was on that project is over so now it is on full-fledged.

Bharani Vijaykumar: Understood. The final question is on our order book and the inflow expectation so of course we have got about Rs..850 Crores of inflow for the year so far so what are our expectations of this inflow for this entire year?

P.S. Patel: The project will be in the same line what we have been discussing and discussing in June whatever, so it will be range of 1400 Crores-1500 Crores which we have given a projection.



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- Bharani Vijaykumar:** Understood and all the best for the future sir.
- Moderator:** Thank you. The next question is from the line of Utsav Mehta from Edelweiss Asset Management Company Limited. Please go ahead.
- Utsav Mehta:** Madam my question was on the balance sheet. If I look at the other financial liabilities both current and noncurrent they seem to have gone up by almost 50 Crores in the last six months, what is the main reason behind such a sharp increase?
- Hetal Patel:** You mean to say both other financial liabilities current and noncurrent?
- Utsav Mehta:** Assets, not liabilities.
- Hetal Patel:** Financial assets as I already mentioned other financial assets in noncurrent assets it include fixed deposit which are maturing.
- Utsav Mehta:** But on March 31, 2019 that was anyways Rs..25 Crores, you are saying now the new outstanding amount is Rs..45 Crores so that accounts for only 20 Crores of the difference so there is another Rs..40 Crores of increase that is there?
- Hetal Patel:** You are talking about other current financial assets, not noncurrent assets?
- Utsav Mehta:** And noncurrent as well.
- Hetal Patel:** See we are including retention money in other financial assets. Now some of the retention money this are now regenerating new project retention money which are due after one year so that amounts to around Rs..50 Crores so that has been classified as noncurrent financial assets.
- Utsav Mehta:** Sir if you do not mind me asking this increase of 50 Crores or 40 Crores in retention money seems to be quite a sharp number. Are there any particular one or two projects where the retention quantum is higher which is why leading to an increase in retention money is?
- P.S. Patel:** See retention money is a process when it is deducted as whatever the decided rate of 5% or 2.5% whatever is the conditions of the contract this can always go up when the revenue goes up, so whatever retention money which we are asking from the client when the project is completed, most of the retention money we are getting back on-time, so any money which is going up that is go based on the revenue going up.



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- Utsav Mehta:** Correct Sir. Is there any project where sort of retention as a percentage of revenue is higher.
- P.S. Patel:** As such no, so I think it is in the range of 2.5% to 5%.
- Utsav Mehta:** The reason why I asked that Sir because in the first half of the year, we do not seem to have generated any free cash flow which is why the borrowing seemed to have gone up, so just wanted to understand is this going as per expected or is there any projects where money is stalked or not coming on time or it just a function of high growth?
- Hetal Patel:** I will just interrupt regarding retention money. There is no significant rise. The only thing total retention amount as on September 30, 2019 is Rs..51 Crores out of which 2 Crores is in current financial assets which are current recoverable within one year and Rs..49 Crores is in long-term financial assets. As such in totality there is no significant increase, last year it was Rs..28 Crores in long term financial assets and current financial year assets report Rs..18 Crores.
- Utsav Mehta:** You are saying it is around Rs..49 Crores to Rs..50 Crores there, another Rs..45 Crores.
- Hetal Patel:** In total.
- Utsav Mehta:** My next question Sir was on the Affordable Housing project now that you kicked off the project and you are started sort of executing. Are you seeing any sort of issues in terms of speed at which the Municipal Corporation is going about providing the land or permissions or everything is fine as per your expectations as of now?
- P.S. Patel:** I think the land was already given on-time, then we have to go for the soil testing and all those reports, which we need for the structured design and then there is one more commitment which has to come from our side is the environment clearance. Of course that environment clearance has to go to the government, but government is supporting and that is why they have confirmed that will be able to give you EC by within two months otherwise it is usually taking three and three-and-half months, so I do not think the government, they are most cooperative people at the Bhiwandi.
- Utsav Mehta:** Even at Pandharpur, are you seeing the same amount of drive from the corporation itself to get this project done?
- P.S. Patel:** Initially it was delay. I think there was some issues related to land because the land which is in the tender, there was some issues related to land in demarcation, but now it is streamlined



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and everything and whole approvals we have got, all drawings have been approved and we are going without hindrance as of now.

Utsav Mehta: I understood and for the Surat Diamond Bourse, how delayed are we and broadly is the client?

P.S. Patel: It generally safe from contractors side, we should confess that it is a delay of three, four months from our side that can be considered because of the heavy monsoon this year and last year also, but in general the total delay what we have envisaged to extended the time limit to 10 months that it can attributed to six, eight months was delay from the client side for the approval of materials, but see we are hopeful that we would be able to complete within extended time limit of six months instead of 10 months, so in totality I would say we should target 36 months.

Utsav Mehta: Will this in any way affect the expected margin of the project or do you expect to get some sort of relief from the client itself?

P.S. Patel: No. I do not think so, it will affect too much on the margins as upward that will affect to an extent in terms of overheads but in general there is no impact too much on the margin.

Utsav Mehta: So because of the overheads there might be some decrease, but sort of nothing meaningful?

P.S. Patel: Yes.

Utsav Mehta: Those are all my questions. Thank you so much for your time.

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

Chintan Sheth: Thanks Sir. Thanks for taking my question. Madam you mentioned 45 Crores as one year maturity bank deposits in the noncurrent financial assets, right?

Hetal Patel: Yes right.

Chintan Sheth: As compared to it was 26 Crores as of March. Madam on the question side in terms of revenue bookings at Ahmedabad University project and hospital project also looks kind of nonmoving, any update on that while the same number is being placed in the presentation and what we are seeing for couple of quarters now?



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- Hetal Patel:** Sorry you are talking about which project?
- M.S. Patel:** Ahmedabad University.
- Chintan Sheth:** Ahmedabad University and Tornascent Hospital, Ahmedabad project?
- P.S. Patel:** Tornascent
- Chintan Sheth:** right. So the project value was last quarter it was around 45 Crores this quarter we have not mentioned that numbers so how are we doing that?
- Hetal Patel:** I think that remaining contract value might have reduced. What we are doing outstanding highest value of the contracts we are showing so that outstanding value might have reduced to below 25.
- P.S. Patel:** Actually what is happening that project is almost at the verge of completion so probably just after Diwali they will be inaugurating that project so that may be reason that they have not reflected those figures.
- Chintan Sheth:** Sure and then you mentioned cash paid out of Rs..267 odd Crores is around Rs..187 Crores and 15 Crores?
- Hetal Patel:** Yes.
- Chintan Sheth:** Okay and how much is non-fund based limit we have utilized so far?
- Hetal Patel:** See out of Rs. 610 Crores of total facilities outstanding limit which are unutilized is Rs.185 Crores.
- Chintan Sheth:** 185 Crores?
- Hetal Patel:** Yes that is outstanding, still to be utilized.
- Chintan Sheth:** For 600, our cash for March ending period was only 130 odd Crores is around, which has increased to Rs. 187 Crores, any reason for increase in that number?
- Hetal Patel:** You are talking about 300 Crores lien?
- Chintan Sheth:** Yes right.



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Hetal Patel: Yes because for this six months we have issued major high value amount of bank guarantees and LCs. LCs also we have to put at least 25% margin and those LCs are being utilized to procure the material for Surat site, mainly elevators and HVAC work, so utilization is there and free FD has been moved to FD and lien.

Chintan Sheth: If I look at your total which limit utilized as of March it was around Rs.340-odd Crores which based on your number it is increased to 425 currently, but your lien number has increased from 130 odd Crores to 187 odd Crores, 50 Crores increase for incremental increase in lien limit of 100 odd Crores, less than 130?

Hetal Patel: Actually some of the FDs we have put as FD OD lien also so not only all lien is not for BG limit, so around 30 Crores-40 Crores amount has been put as FD OD facility and that we are utilizing.

Chintan Sheth: Lastly, on the subsidiary side there has not any movement in terms of projects moving so any update on US subsidiaries where we were expecting some cash flow is coming in by way of sale of those residential projects we have done at Liverpool?

P.S. Patel: No, still we have not received any of the funds; we are not able to sell any of the property. We are just signing because mainly in US there is a practice once you made first open out then we will keep a gap of two to three months to make a second open house. From the first open house people what the price we quoted was 1.54 and the people were not keen to buy it 1.4 so we are going to keep it a second open house and I think then it will be cleared whether we are going to review some value to that because brokers are also suggesting that this value is high for Livermore project and we are revising the saleable value and then we will quote it again.

Chintan Sheth: Any additional money we have provided this year, we had Rs. 24 odd Crores of loan given to US subsidiary?

Hetal Patel: Yes around 1.5 Crores

Chintan Sheth: Any additional money we need more over there or for the year it is sufficient?

P.S. Patel: As of now, it looks sufficient because the San Francisco project will require some money, but we are expecting San Francisco to get approval from the end of December or January so the project may click after March so probably this year we want them to raise further money into USA subsidiary.



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- Chintan Sheth:** Livermore the sale will be...
- P.S. Patel:** It will also be utilized sometime cash flow during the start of the project.
- Chintan Sheth:** Sure Sir. I will join back in queue for any further question. Thank you.
- Moderator:** Thank you very much. The next question is from the line of Sachin Kasera from Swan Global Investments. Please go ahead.
- Sachin Kasera:** Thanks and congrats for the good set of numbers. My question was regarding the working capital. If I see your presentation Sir in financial year 2018 our working capital was approximately 17-18 days and this quarter it has almost gone up to 30-31 days, primary reason being that our inventory just to be 17 days and now 34 days. So it is because some of the projects, the movement is very fast and that is why inventory is getting built up while not getting billed, what is the reason for this sharp increase in inventory from 17 days to 34 days?
- Hetal Patel:** Sir as already mentioned the Surat project is at such as stage wherein the elevators, HVAC work and façade work is going on simultaneously. We have to keep that much inventory in the form of aluminum and elevators are also coming in piecemeal basis from Toshiba, so items are shown as a stock till it has been utilized or to some extent, it is stock or WPI we are showing so because of that the inventory has gone high. The total inventory at Surat project is Rs.63 Crores as I already mentioned.
- P.S. Patel:** In general if you understand the project now we are in the finishing stage, so MEP, façade these are elevators these are the costliest material but which we need to plan ahead of the time so that we have that on-time at site, so this is going to raise some inventory days because of the materials which are required. Even if you look at the stone cladding work it is about 60 Crores, 70 Crores of granite which are going to buy, so that is all the materials we are purchasing simultaneously and at the same time we are trying to manage the resources accordingly, so if you have material on-time then labours can be managed, but if you are having sufficient labours and if you do not have the material it becomes difficult to that requires a meticulous planning in terms of material.
- Sachin Kasera:** Sure. So do we see this 65 Crores increasingly significantly as we get more near to the completion and this inventory days further increasing by March or maybe next year or they should come down as we go ahead?



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- P.S. Patel:** I think it should come down or it should remain as it is for at least further three, four months, because the inventories which we have already at site that can be utilized to suppose the elevator has now started erection, so will be able to bring all those material which is already started going into execution, so I think that it will be both way some of the materials will be required as on continuous process like granite that will be a continuous process which will be going for one year, façade, glass coming on the site that will be a process for six months. I do not personally feel too much increase in the inventory days and in terms amount also it will be in the range of 65 Crores-85 Crores something like that.
- Sachin Kasera:** So excluding for Diamond Bourse and other projects inventory would be much lower there or they are also at?
- P.S. Patel:** Most of the projects other than SDB do not require such type of costly material, so that the inventory days cannot be so long.
- Sachin Kasera:** So is it fair to assume that we only back to 20-22 days of inventory once the SDB project is complete.
- P.S. Patel:** Yes we can say.
- Sachin Kasera:** Secondly, Sir if you could update if I remember around two, three quarters back you have mentioned about two large project you are looking to bid for one was by in Jamnagar by Essar Oil and second was Vedanta, so what is the status there because we are expecting something?
- P.S. Patel:** Actually what has happened both the projects are see Nayara we have reported but there is no news from the client side so they were present before three months even that they are saying that has gone to Russia for approval, but now we are not hearing any news from that side, so presently we are not considering Nayara is a project. Vedanta that was the project we started with 1500 Crores we landed at 500 Crores and lastly now they have given a final BOQ of 360 odd Crores, 400 Crores so that report we have already submitted. We are waiting for their call to come and how to go ahead about the project, but Nayara they are not considering as of now, it is pending project on our side.
- Sachin Kasera:** This Vedanta Sir when do we expect clarity?
- P.S. Patel:** Sir we are expecting since one year so we are not very clear what exactly Vedanta wants to do, because there are so many changes in the tender stage so I think they may be confused



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by what exactly or they want to do or they want to give it to some private developers and there be colony on lease so I do not know what is going in their mind, but last tender which we there given us in the range of Rs. 350 Crores to Rs. 400 Crores.

Sachin Kasera: Sir my next question was regarding our eligibility for larger size order. One of the key things that we are looking is once we finishes SBD we can look at larger size project, can you just update us on that front. When do we become eligible and when you start participating in bigger sized order?

P.S. Patel: It is something both the way, presently I cannot predict that exactly when this will click because prequalifying criteria is all decided by the clients, so if you see clearly then when the project is completed, that can be one of the criteria and sometimes when the project is 60% or 70% completed that can be on someone of the items of execution like how much concrete we can do while this much volume of concrete you have done a business volume of value of MEP you have done or this much value of façade you have done, so depends on client to client what criteria that came up, but that opportunity can come somewhere we have through the 60% to 70% to 100% completion of the project.

Sachin Kasera: Maybe somewhere in FY 2021 we become eligible for the larger sized projects?

P.S. Patel: Yes you can consider that way.

Sachin Kasera: Sir last question is regarding this approval of Rs. 300 Crores. In the presentation the CFO mentioned that we are around 45 Crores to 50 Crores of FDs which are without any lien, so I am not able to understand the reason why we are looking at fund rise, when the balance sheet having liquid cash?

P.S. Patel: See this 30 Crores, 40 Crores cash in the bank is something which we always keep as a cushion, because anywhere we are operating on such a large project anything related to cash flow, we always try to keep that is a safety measure, Rs.30-Rs.40 Crores which we require, sometimes the clients payment get delayed by 5 days also, and even if you have to make large payments like elevators, so elevators we have open an LC, so on the last period, there will be a payment of 40 Crores so suddenly at that time if you are not having cash, it will be difficult.

Sachin Kasera: It is not just an evolution we are seriously looking in terms of raising funds from the market?



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- P.S. Patel:** Yes if we are getting a larger size project, opportunity is somewhere in FY2020 for that reason we should consider that option in future.
- Sachin Kasera:** So fund rise is basically to be able to qualify our balance sheet basis for large projects or this is because we envisaged that going ahead our working capital should be high and that is why we need equity money?
- P.S. Patel:** No, it is not that much. We are envisaging if we have to bid for larger sized project this may be the requirement in future.
- Sachin Kasera:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital Market Private Limited. Please go ahead.
- Shravan Shah:** Congratulations on good set of numbers Sir. Sir first wanted to understand on the SDB so in the first half we have done close to 182 Crores revenue. Our plan was to do close to 750 Crores-800 Crores kind of a revenue, so just trying to understand now how do we see Q3-Q4, can we make it up for the full year, how much revenue we expect and when we now finally are seeing this 36 months project completion, so when in which quarter this is ending?
- P.S. Patel:** Now what has happened I clearly mentioned in my first statement that this project has got delayed by 8-10 months and we have already received the extension of the time limit also, but looking to the timeline which they have envisaged and looking of the timeline which I am envisaging, I am still confident to complete the project by 36 months, the basic finishing item which we expect to complete and start somewhere in the March 2020 that could not happen, but rest of the all the activities now have started, that can be a detrimental revenue incomes of about Rs.100 Crores to Rs.200 Crores in this year and between which maybe next year.
- Shravan Shah:** So this year how much revenue we expect Rs.500 Crores, Rs.600 Crores?
- P.S. Patel:** 500 Crores we can expect.
- Shravan Shah:** So initially our thought was that we would be able to cross Rs.700 Crores as we would be doing mostly MEP high value work, not able to understand the significant as you are saying



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now we have already started MEP, façade and all these works and still this is a significant delay means initial estimate was 770 Crores?

P.S. Patel: I have already mentioned there is a delay of 3 to 4 months from our side and 6 to 8 months on the client's side, so all the SDB are related to each other, even the approval of the basic electrical concept of SDB was not approved by government till I think June, so these all has put us to extend the MEP, electrical could have started somewhere before nine months, but that could not happen just because that approval was not coming from the government at which we received at somewhere in the month of June and the elevation side also which we were expecting to start somewhere in April-May that has just started in June/July so that the façade has already now started and we are expecting that is going with full force and as I was expecting to complete by December so yes there is a substantial detrimental revenue generation from the SEB side because of the delay in general for the finishing of the material and the flooring materials and little bit on façade and MEP.

Shravan Shah: Sir for now what is in our full year revenue guidance?

P.S. Patel: It will be in the same range what we have considered till now, there would not be too much delay because some of the projects which we have started this year may give that revalue so we will expect that this should remain in the same line.

Shravan Shah: So can we expect a 40% kind of growth over, so last year we did Rs. 144 Crores

P.S. Patel: I never said it should be in the range of 25% to 30%.

Shravan Shah: 25%-30% growth you are saying and Sir continuing on this fund raising plan, so just trying to understand on a broader sense that when we are saying that we are looking at a bigger ticket size projects, which can come up in February March or may be January to March quarter so can you highlight in terms of size or maybe segment or maybe a state where it is or from the private government?

P.S. Patel: These are open resolution which we have passed in the board for generally which may come anywhere in the next year, so as of now there is nothing planned based on some projects coming or something like that so it is a general resolution which we have passed for the future.

Shravan Shah: Sir just trying to understand so in that case as our we are not having debt on our book on a net cash basis why cannot we temporary as the SDB over next year, we would be releasing



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our margin money from there, whatever we have given as a bank guarantee so temporarily why cannot we breach the gap with a debt?

P.S. Patel: Sir as I told you that the project which we envisaged in terms of large size can come any time when we are 65% to 70% completion of Diamond Bourse, so it is not necessary that we wait that three SDB to complete and because each time when we raise the money for the margin to be bid, placed for bank guarantee and that also sometimes take three to four months so this is a resolution which we passed openly for anytime if we make that about facility we have that option to start that process.

Shravan Shah: Sir just trying to understand as equity is always a costlier versus a debt, so we are not having a concern on debt front, so far maybe a six month or maybe one year we can take a loan and go ahead with that and by that time SDB would be over and we were releasing our money so on that front I am trying to understand.

P.S. Patel: Okay but suppose as I told you when you reach February/March and if your 60%-70% project is over from SDB side and at that time there is suddenly there is opportunity where you can bid for larger size project at that time suddenly where to go.

Shravan Shah: Cannot we take the loan?

P.S. Patel: I think in the present market, no bank is going to give you loan without pledging the share or without any property.

Hetal Patel: Just to inform you that there will be a DLP period, defect liability period after that this bank guarantees are released so that is around one to one and a half years, so we cannot expect within one year that bank guarantees are released.

Shravan Shah: Lastly on the capex first I think we have done close to 6 Crores-7 Crores so for full year would be 20 to 25 Crores or even lower than that?

P.S. Patel: It will be in the same range. It depends on the any new projects coming up within this six months and I have always said it will be in the range of 2% to 3% of the project size that maybe new capex required depends what is the stage of the existing project and what is the stage of the new project so it depends on execution space.

Shravan Shah: Thank you and all the best.



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- Moderator:** Thank you very much. The next question is from the line of Darshan Mehta from Ambit Securities Broking Private Limited. Please go ahead.
- Darshan Mehta:** Can you please repeat the number for orders won in Q2 and the year-on-year growth?
- P.S. Patel:** In Q2 in general we have given Q1 and Q2.
- Hetal Patel:** So in totality it is around 83.
- P.S. Patel:** Yes we do not have separate figure for Q2, but it is in totality, it is 90 Crores for Q2 and total it is written at 860 Crores.
- Darshan Mehta:** 860 total and Q2 number is?
- P.S. Patel:** 90 Crores.
- Darshan Mehta:** 90 Crores?
- P.S. Patel:** Yes.
- Darshan Mehta:** How much is growth year-on-year in terms of orders won?
- P.S. Patel:** In the last call also we always said that there be projections given, will be same line that we grow, so we have expressed an expectation of about 1400 Crores to 1500 Crores inflow and so will be in the same projection.
- Darshan Mehta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nihil Parekh from Dhanki Securities Private Limited. Please go ahead.
- Kaushal:** Sir this is Kaushal here. Thank you for the opportunity and congratulations for the good set of numbers. Sir in SDB if I do the calculation we are roughly about 1000 Crores pending just now and if we have to execute that in next let us say 12 months to roughly we should do about 80 Crores average per month, now 80 Crores to 90 Crores is what we are doing just now on a quarterly basis?



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- P.S. Patel:** We are talking about 15 months from today onwards October, November and December so if you consider that 1000 Crores to be distributed in 15 months, so you should have a revenue of about Rs. 60 Crores to Rs. 65 Crores per month.
- Kaushal:** So that we are confident of doing because just now we are doing roughly 80 Crores to 90 Crores in one quarter, so compared to that we are?
- P.S. Patel:** Yes you are absolutely right, because if you see the work-in-progress most of the things which we are having there are at for the façade, for the toll, for elevators everything is going on, so anywhere the stage of billing comes on so there will be a revenue those types of items will be added in now coming two quarters.
- Kaushal:** Fine and Sir One request if you can just again repeat the names of the projects where we have already bid, you mentioned four or five names, our bid pipeline?
- P.S. Patel:** It is a GIDC project at GIFT City where this is coming within commercial building at GIFT City. LIC is also coming in the project in GIFT City, Bank of Baroda project at Ahmedabad city, Residential Colony for Vedanta as just explained before one call and Nestle India Plant at Sanand. Nestle is coming up with a new plant at Sanand.
- Kaushal:** Thank you Sir.
- Moderator:** Thank you very much. The next question is from the line of Aagam Shah from Individual Investor. Please go ahead.
- Aagam Shah:** Good afternoon Sir and congrats on good set of numbers. Sir just my question on fund raising part 300 Crores so what will be the timeline we are looking at?
- P.S. Patel:** As of now we are not sure but this is an open resolution which we have passed on the board whenever it will come we will execute.
- Aagam Shah:** This should be for larger projects right, going ahead?
- P.S. Patel:** Yes.
- Aagam Shah:** Okay as a previous participant had asked 60 Crores is what the revenue run rate per month will be SDB so that is quite achievable from going ahead?



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- P.S. Patel:** Yes because see civil is now getting less and most of the things are peaked out so I am expecting that even that should come.
- Aagam Shah:** On the asset side, how much cash will be free of money kept in terms of retention so how much FD would be having?
- Hetal Patel:** As I have already mentioned, we are having Rs. 45 Crores of free FD which are not pledged with banks.
- Aagam Shah:** And with FD how much? Not including the retention money only FD and cash amount?
- Hetal Patel:** Total cash including FDs and current accounts is Rs. 267 Crores and out of which 45 Crores is the free FD amount which is shown under cash and cash equivalent.
- Aagam Shah:** Thank you that is it from my side.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment Private Limited. Please go ahead.
- Ravi Naredi:** Congratulations and best wishes to Sagar to join the company and Sir how much amount due from Surat Diamond project as on September 30, 2019?
- P.S. Patel:** How much amount.
- Ravi Naredi:** Due debtor's amount?
- P.S. Patel:** It is I think zero.
- Hetal Patel:** I think only a few 5 Crores or 6 Crores.
- P.S. Patel:** 5 Crores or 6 Crores for the bills which we have already submitted in September and which to be certified so ad hoc we have already paid after certification maybe 5 Crores to 6 Crores.
- Hetal Patel:** Retention amount is excluded
- Ravi Naredi:** Sir now what price are we expecting to US open house cost when we are going to revise?



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- P.S. Patel:** I think it is not to be larger extent, but previously I think we quoted for 1.4 million and now we are thinking of 1.39 million, there will be a slight reduction.
- Ravi Naredi:** Thank you Sir. All the best.
- Moderator:** Thank you very much. The next question is from the line of Dhiral Shah from PhillipCapital (India) Private Limited. Please go ahead.
- Dhiral Shah:** Good evening Sir. Congratulations for the good set of numbers. Sir, my two questions regarding what is the general timeline when you identify the project and the time you award the project? Is there any general timelines?
- P.S. Patel:** General Timelines in terms of what?
- Dhiral Shah:** Sir, when you identify new project?
- P.S. Patel:** Usually the credibility is for 120 days but sometimes the client is not serious about the project that can go to 180 days, but they always take the permission from us to extension of the tender validity, but the standard practice in tendering process is under 120 days.
- Dhiral Shah:** Second question is regarding your US business because you are reducing the price by only \$1 million.
- P.S. Patel:** It is 1 lakh only. It is not 1 million.
- Dhiral Shah:** Rs.1 lakh, so do you expect this to get through all the four houses, which you have in Livermore?
- P.S. Patel:** Yes this is the call taken when considering some of the brokers over there and we are expecting that they should work.
- Dhiral Shah:** So, do you feel buyers are ready to buy at around 1.39 million?
- P.S. Patel:** Sir this is something, which we get feel from the market, so let us see what happens.
- Dhiral Shah:** So, by when you expect, revenue to book, because we are hearing this Livermore project is getting delayed on a quarter-on-quarter basis so, by when you expect?



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- P.S. Patel:** The project is ready, we can share you pictures also, so there is nothing wrong about the project, but celebrity depends on the market, so first when we put it on open house, the market feel was that the prices were bit high and there the practice is that whenever you have one open house, they keep a distance of two to three months to start the second open house, so I think we should complete somewhere by November-December.
- Dhiral Shah:** So, this 1.39 million is for one house, right?
- P.S. Patel:** This is a set of two houses, which includes one mid house and a small house. Actually the properties can be considered as two.
- Dhiral Shah:** So, each would be 1.39 and you have two houses, right?
- P.S. Patel:** Yes.
- Dhiral Shah:** This amount you would be utilizing for San Francisco Project?
- P.S. Patel:** Yes.
- Dhiral Shah:** Sir, you also wanted to lend more to San Francisco but what amount you are targeting?
- P.S. Patel:** Presently, we do not have any assumption, what will be required, but that would not be too much, but that depends on when the project starts and what is the type of project they approve because we have been piping for 14 houses and 9 houses, so, still we are not shared investment which will be required for this project. So, once we get the approval from the government that is when the hearing is over, then we will be putting the plans in the kitty and once they give the approval for how many houses or what type of houses whether it is row houses or whether it is individual bungalows that depends on and we will be able to get the right figure.
- Dhiral Shah:** Sir, secondly you talked about the SG project got delayed by three to four months from our side also. So, heavy monsoon was one of the reasons. So, what is the other reason you talked about, government delay. Sir this government delay is for what Sir?
- P.S. Patel:** Government delays is for the electrical concept approval. See in general, what we have that the electrical energy meters are always provided at the ground floor and that is the common electric room for each of the building. This is a standard specification throughout Gujarat. So here what they have done is they have given energy meters individually and that



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connectivity is through a DMA system which provides the meter at one location, so before something new for the electric department that is the approval which we were accepting and finally they have approved that concept, because you want to meter at the ground floor or you put at each office, there is a huge change in the design.

Dhiral Shah: So, now you have received that approval?

P.S. Patel: We have already started electric installation floors.

Dhiral Shah: Thank you. That is it from my side.

Moderator: Thank you, very much. The next question is from the line of Rachit Kamat from Anand Rathi Share & Stock Brokers Limited. Please go ahead.

Rachit Kamat: Good evening Sir. Congratulations on a good set of numbers. Sir just wanted to know we did not have any change in scope for any of our projects this quarter because we had around 763 Crores of inflows in Q1 and it was around 86.2 Crores in Q2 and when I take it as opening order backlog plus inflows minus net, it would around 31.757 as the order backlog number. So, just wanted to know that?

Hetal Patel: Sorry, I could not get your question. You are talking about total order inflow?

Rachit Kamat: Yes, Madam. Just wanted to know did we have any change in scope during the quarter like additional work or some work that got deducted at any of the projects?

P.S. Patel: There can be some additional scope in the existing projects. So, revenue has given some differential value in addition of the project. That is an amendment of orders in some of the projects. There will be increment required for the projects.

Rachit Kamat: Thanks a lot. Sir, one more question I had regarding can you quantify the bid pipeline that we have right now. You said the GIDC project and LIC building, BOB and Ahmedabad project, Nestle India project, total bid pipeline in individual values?

P.S. Patel: I have already mentioned to you, GIDC is 250, LIC is 150, Bank of Baroda is 70, and Residential colonies is 400 Crores, Nestle more than 100 Crores.

Rachit Kamat: Apart from these we will also have the Barmer project of Vedanta, which is kind of slow?

P.S. Patel: Yes.



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- Rachit Kamat:** Sir, one last question, I just wanted to confirm, you are hoping to reach 300 Crores in any given period of time, which is sufficient you will have a new project come in and just to be prepared for that? Is my understanding correct?
- P.S. Patel:** Yes.
- Rachit Kamat:** That is all. Thanks a lot.
- Moderator:** Thank you very much. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Just wanted to check with you in Maharashtra we will be bidding for a lot of new affordable housing projects which will come through various municipalities, so any idea how will be the working capital cycle for these municipalities since earlier most of our projects have been executed in Gujarat where the working capital remains, it is pretty better compared to other states so any idea about this?
- P.S. Patel:** Actually, we will now first concentrate on 675 Crores of this Bhiwandi project and we were getting some of the opportunities presently also, but we are not bidding for those sets of projects. We will try to stick to our Bhiwandi project and get out of that and make further streamline for the next six to eight months and then we will decide if there is any opportunity.
- Ankit Gupta:** How is the billing cycle for this project?
- P.S. Patel:** Bhiwandi project has a billing cycle of one month only based on the milestone and that milestone is again divided basically on phases of work done.
- Ankit Gupta:** Any evaluation on the credibility or the credit profile of the customers that we do before bidding for such municipal projects?
- P.S. Patel:** Usually we do for any government or private project, but I think PMY is known to everybody throughout India and how that project works is also known to everybody, so regarding PMY I do not think there is a credibility recall.
- Ankit Gupta:** Secondly on the tax cuts and its impact, which can be there on construction companies like us with this reduction in tax rate, do you think most of this benefit will be passed on to the customers or you will be able to retain quite a bit of that?



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- P.S. Patel:** It has to be passed to the customer because that is the standard. I am not the person to decide on, so whatever EBITDA we are having, we have to return the profits as per the government norms.
- Ankit Gupta:** What I am saying is do you think the bidding rates will come down because the competitors will also be reducing their rates? There will not be much impact on PAT margin per se of the company because of the tax cut?
- P.S. Patel:** I do not think so.
- Hetal Patel:** Longer terms you can say yes because of competition, we need to resume.
- P.S. Patel:** For the present cost rate we should not get impacted. For longer projects in future it has.
- Ankit Gupta:** For new projects yes. I just missed your answer on the 300 Crores fund raising. So, primarily the approval is for equity raising. That is our intention?
- P.S. Patel:** We are not saying on equity. We have kept that option open and that is a generalized resolution, which we have passed, we can go for any of the option.
- Ankit Gupta:** We can also raise debt? We can increase the working capital limits also?
- P.S. Patel:** Yes.
- Ankit Gupta:** Thank you so much.
- Moderator:** Thank you very much. That next question is from the line of Sachin Kasera from SVN Investments. Please go ahead.
- Sachin Kasera:** Sir, just one question on the US project, you said that we are now going to reduce the cost, what is our cost of the project in the sense even after reducing, we will be able to make some margins?
- P.S. Patel:** Can you repeat your question?
- Sachin Kasera:** This US project you said that we will be reducing the selling price, so what is our cost of the project?



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- P.S. Patel:** I think I am not sure of the total cost of the project, but I think it was somewhere in the range of 2.4 or something like that and we are selling at 2.3. So, it is in the range of 2.4 to 2.45.
- Sachin Kasera:** Second question you indicated that for the full year we should look at only 25%, 30% growth so by that means in the second half, I look at the number it will be same of H2 of last year. So, are we indicating that in the second half of financial year 2020 there will not be any growth in the company?
- P.S. Patel:** No, we are not indicating that. See, what has happened each and every quarter there is some ups and downs in any of the other projects, so you get some new project sometimes and the existing projects sometimes go slow, so we see a generalized impact which we take. It can or it cannot. So, it depends on how the project moves. Sometimes what we are saying it is about Bhiwandi, that project we are expecting to start somewhere in the month of December, but again it is related to EC. So, if we are not able to get the EC in December, it may go to January. So, these types of impact always comes and there is uncertainty we always consider.
- Sachin Kasera:** This 25% to 30% is on a conservative basis, if things move then you could do much better than that, is that a better way to understand?
- P.S. Patel:** Yes.
- Sachin Kasera:** Thank you.
- Moderator:** Thank you very much. The next question is from the line of Robin Garg an individual investor. Please go ahead.
- Robin Garg:** Sir, firstly I would congratulate you for the good set of numbers in Q2. Secondly I want to understand that it is too initial to ask but what could be the percentage of capital raising through the rights issue that you basically are trying to get 300 Crores?
- P.S. Patel:** We have not mentioned anything about the rights issue or QIP or debt. We have taken a generalized approval of board, so we can have that option of raising in the next one year.
- Robin Garg:** I understand that. You have mentioned rights issue as an option along with the others.



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- P.S. Patel:** Everything is probably, probably, probably. We have not mentioned anything firm on any fund raising time.
- Robin Garg:** Sir, I got that point and you yourself that if we are not able to raise the debt we might go for an equity dilution option, right?
- P.S. Patel:** There is an option, which we always have to think when we go for the final decision.
- Robin Garg:** There is an option that we can use like the existing shareholders can raise the debt if the banks are not upcoming in giving the loan, the existing shareholders on a 9, 9.5 plus and interest can raise the debt for the company. That can also be an option and my only concern is that the equity dilution is the worst form of fund raising and you are considering that in case we do not get the debt and if we are not getting the debt like 300 Crores, we can go for 200 Crores or 150 Crores, the kind of debt we can raise for the company instead of going for the worse form of fund raising that is equity dilution, so that is what concerns me and that is why I am putting this question to you.
- P.S. Patel:** See, it is up to 300 Crores so any type of fund raising we may go. As of now I cannot share any of the things. We will explore each and every part and then we will decide.
- Robin Garg:** Sir, what time are you planning by like Q3 or Q4, these things, you are saying that will be planned and done? What is the time chase that you are planning?
- P.S. Patel:** There is no timeline considered for this because these are things that require too much time. We may go any time in the next one year.
- Robin Garg:** That is it from my side.
- Moderator:** Thank you very much. The next question is from the line of Chintan Sheth from Sameeksha Capital Private Limited. Please go ahead.
- Chintan Sheth:** Thanks for the followup. The delay in SDB from the clients, you said, you did relate it to finished material which the client is taking some time. Is it related to financial or it is related to the finalization?
- P.S. Patel:** It is related to the cost of that material because the benefit out of that cost of material goes to the client so they decide on and they are very clear on and that asset is also a part and at



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the time the costs whatever differential cost of purchase that goes to them, so they are involved in that process. That sometimes take time.

Chintan Sheth: Sir, the inventory related to SDB as of September 65-odd Crores related to façade and the elevators, are we going to install over the next six months to that inventory what will be reflected in our yearend inventory levels or it will still be there by yearend?

Hetal Patel: It will be based on the installation, means step by step process, invoicing, but currently around inventory value of elevators will be around 22 Crores and it will increase, means once the LC utilization level...

P.S. Patel: As I said it will be in the range of 60 to 85 Crores or 90 Crores maximum and when the materials are coming, they are going to be billed also, so that should remain in that range till we complete each and every activity.

Chintan Sheth: So, that is what I am trying to understand that how much will get installed?

P.S. Patel: It is correct, we are expecting a revenue of 65 Crores every month, I think we should have a planning of material of at least 40 to 45 months, 65 Crores to 70 Crores minimum which is to be utilized for 10 months and something to be stopped for the next month. We will have to go on as we fall.

Chintan Sheth: The timeline is 30 months for the project?

P.S. Patel: Yes.

Chintan Sheth: Thanks. That is all from my side.

Amber Singhania: Thank you everyone. On behalf of Asian Markets, I thank everyone for joining this call and a special thanks to the management of PSP Projects Limited for providing this insight about the company and giving us the opportunity to host this call. Now we will close the call from our side. Sir, would you like to add any closing remarks?

P.S. Patel: Thank you very much to all of you to join this call. I hope I have answered each and everyone. Thanks everybody to join the call.



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Moderator: Thank you very much. On behalf of Asian Markets Securities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.