



“PSP Projects Limited  
Q3 FY2020 Earnings Conference Call”

February 07, 2020



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**Moderator:** Ladies and gentlemen, good day and welcome to the PSP Projects Limited Q3 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, Dhanvi. Good afternoon everyone. On behalf of Asian Markets, I welcome you all for Q3 FY2020 Earnings Conference Call for PSP Projects Limited. We have with us today, Mr. P.S. Patel, MD, Ms. Hetal Patel, CFO along with their team from the company side. We would like to start with a brief update about the company and the results from the company side and then we will proceed for the question and answer session.

I now request Mr. Patel to take us through the quarterly results and thoughts about the company and then we can start with the question and answer session. Over to you Sir!

**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, I welcome you all to this call, which focuses on our company’s performance in Q3 & Nine months of FY2020.

So as we mentioned before we move to the financial statistics and performance of Q3, I would like to throw light on few of the key developments of this quarter. Company bagged orders worth Rs.271 Crores in this quarter from government industrial, institutional and residential sectors. The major awarded project includes design built project of Sabha Hall and Residential Complex for a trust in Ahmedabad that is Rs.104 Crores, industrial projects by MNC FMCG worth Rs.99 Crores, construction of a private school civil plus MEP at Ahmedabad about Rs.27 Crores and construction of civil plus MEP for redevelopment of a corporate office of a limited company, which is in the fertilizer section of Rs.18 Crores.

I am happy to share that out of the total four projects of our contract there are three projects either design build contract or composite package including annuity, so steadily we are seeing growth of lot of shift of projects in our order book from just civil contracts to contracts with all services and allied activities. I am also glad to declare that post Q3 we have been awarded a prestigious project of Shri Kashi Vishwanath Dham beautification amounts into Rs.339 Crores, the Dham pooja was done on January 15, 2020 we have



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already started mobilization and at that same time we have already started piling work, which is going on since last 8 to 10 days so the amount of total projects awarded in this year is Rs.1552 Crores till date, this does not include project worth Rs.307 Crores including GST there we are put lowest and which is not included in about 50-52. We have successfully completed 12 more projects this quarter, which is highest in a single quarter so far. These took our number from number of completed projects to 142, major completed projects in this quarter includes our first designed build industrial project for pharmaceutical company, a corporate house for a leading pharma company, and Instillation project for an institute based at Ahmedabad so company's outstanding order book as on December 31, 2019 is Rs.3078 Crores including 43 projects under execution without Surat Diamond Bourse work on hand is Rs.2290 Crores. In these Rs.3078 Crores the orders which we have declared are post Q3 is Rs.339 Crores, 42 interior project of Leela Palace and Leela Hotel at Gandhinagar and one more project which we have declared at lowest, included all of these projects total outstanding order book comes to Rs.3766 Crores till date

We also have a bid pipeline worth Rs.1000 Crores from various industrial and institutional sectors. Company has booked Rs.423.07 Crores revenue from operation of this quarter will be about 62% year-on-year growth. As an update I would like to brief you about Surat Diamond Bourse project, which we have been doing since last two years and we are expecting this project to conclude by December 2020. Presently all the activities, which were related to finishing has already been started almost we have to see what we are getting completed by next month. We have already started flooring. We have already started development work for all the podiums. We have already installed about 48 elevators and rest of the elevators work is in progress. This is all update about Surat Diamond Bourse.

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

**Hetal Patel:**

Thank you Sir. Good evening everyone and welcome on the call. Let me first give you highlights on standalone financial results for the quarter ended on December 31, 2019.

Company has recorded revenue from operations of Rs.423 Crores for Q3, which has increased on Y-o-Y basis by 62% as compared to previous year's third quarter revenue of Rs.261 Crores. The revenue generated from Surat Project was Rs.191 Crores during this quarter. Total revenue booked for Surat Project till December 31, 2019 is Rs.787 Crores so company has executed 50% of the total contract value of Surat project.



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EBITDA for Q3 is Rs.54 Crores, which has gone up on Y-o-Y basis by 47% compared to previous year's third quarter EBITDA of Rs.37 Crores.

Profit after tax including other comprehensive income for the quarter is Rs.36.74 Crores, which has increased on year-on-year basis by 71%, which was Rs.21.48 Crores in third quarter of the previous year.

PAT margin stood at 8.57% for Q3 FY2020 and Rs.8.95% for the nine months ended on December 31, 2019.

As on December 31, 2019 the company has free deposits of Rs.38 Crores, FDs worth Rs.117 Crores are under lien with bank for credit facilities and FD is given to client as a security deposit amounts to Rs.14 Crores. We will also brief about working capital base on standalone basis. Debtor days are 54 days, payment days are 51 days and inventory days are 25 days for the nine months period.

Work-on-hand as on December 31, 2019 is Rs.3078 Crores, which comprises of Rs.788 Crores for Surat Diamond Bourse Project and Rs.2290 Crores for other projects.

With this I end up giving key highlights for the company's financial 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 Utsav Mehta from Edelweiss AMC. Please go ahead.

**Utsav Mehta:** Two questions, first one just a simple bookkeeping one what is our loan and outstanding debt and cash balances at the end of December?

**Hetal Patel:** We have not finalised the balance sheet, but I can give you the idea about loan outstanding our current borrowing short-term borrowing is Rs.70 Crores, which is in line of September financials and we have borrowed some equipments on long-term loans will be around Rs.5 Crores.

**Utsav Mehta:** Okay and any sense on cash in the bank so we had around Rs.220 Crores?

**Hetal Patel:** I have already briefed you about FD, the total FD outstanding in the books of company is Rs.229 Crores.



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- Utsav Mehta:** Okay so madam this broadly seems in line with what we had at the end of September and lower than what we had on a net debt basis or net cash basis at the end of March 31, 2020 so I was wondering is that the incremental revenue is not getting translated into cash? Is our working capital getting stretched?
- Hetal Patel:** Our plant and machinery has also increased. We have invested around Rs.14 Crores of plant and equipments for this quarter so there also some of the money has been passed.
- Utsav Mehta:** Okay and totally nine months capex would be?
- Hetal Patel:** Total capex would be around Rs.24 Crores.
- Utsav Mehta:** Okay understood and Sir my next question is on our Maharashtra projects I just wanted to sort of get an update on anything that has changed as far as execution timeline go post the Maharashtra elections?
- P.S. Patel:** No timeline has not changed but we were waiting for some approvals initially the project was delayed by two to three months and then later on we have to go for the approval of APDC and CC, now everything is in line and we have already started mobilization so probably we will be in the position to start something else.
- Utsav Mehta:** Okay so you would say that work on this project would start in FY2021 so let us say by third quarter it will start full pledged.
- P.S. Patel:** Yes.
- Utsav Mehta:** And Sir working capital on this project would there be in line with the rest of the company or would this have 10% retention element to it?
- P.S. Patel:** This is not 10% retention I think it is 5% retention only but in terms of working capital there is no mobilization with this project because another government projects are carrying any mobilization order so at least work initial investment or the capex we will get two months receivables will be investment, which will not be more than in Rs.10 Crores to 12 Crores.
- Utsav Mehta:** Okay understood Sir. Those are my questions. Thank you so much for your time.



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- Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.
- Kaushal Shah:** Sir if I look at the quarterly run rate that we are doing and if I exclude the SDB project that number has basically reminded fairly constant at around Rs.220-odd Crores so what I was wondering was that once this SDB in the next two quarters substantial execution will be done so are we in a position to ramp up the current orders so that our quarterly revenue run rate does not reduce that is question one and the second is on the fund raising plan that we had if you can just share any details if at all?
- P.S. Patel:** The projection for the new order book which we gave for this year was in the range of Rs.1500 Crores out of which we have already reached 1550 and if we consider the Rs.307 Crores L1 order, it will mean in the range of Rs.1700 to Rs 1800 Crores so there will not be any issue related to ramp up of the sales and I do not think any issue related to that and regarding SDB we are in the process, we have not concluded on anything now.
- Kaushal Shah:** Okay on the SDB projects are roughly Rs.800 Crores is spending and we have four quarters to execute so that given our Q3 run rate I am sure we should not our problem and doing additional Rs.200 Crores run rate per quarter right?
- P.S. Patel:** Probably we can consider that because most of the things will work out and the revenue will be more compared to other process wherein the civil is more so that will be anywhere in the range of Rs.150 Crores to Rs.200 Crores.
- Kaushal Shah:** Finally, Sir you mentioned that the new order wins that we had that are including MEP for the next year, can we expect a slightly better margin profile for us.
- P.S. Patel:** There is no point on better margins as far as bidding line what we are having on the competition which you are having so even if we can maintain the same ratio, we have been in the market as a selected contractor by selective clients, so I think we will maintain the same margin, will be good for company like us.
- Kaushal Shah:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.



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- Parkishit Kandpal:** Sir can you give me the breakup of the revenue this quarters of 190 was from SDB so what are the other projects which are contributed to the revenue?
- Hetal Patel:** There are other projects like Dahod projects, we have one major significant projects at Dahod Hospital that is also contributing to a certain amount in the revenue. There are so many other projects are there.
- Parkishit Kandpal:** But roughly like madam three, four big projects, which would have contributed besides the 190?
- P.S. Patel:** See major projects if you considered in the company, we are presently doing about high projects for Cadila group, which is an order book of more than Rs.550 Crores. So most of the revenues after SDB come from Cadila group from their R&D center and hospital. Certain revenue comes from DDIT, certain revenue comes from IL&FS which have started since last three months, so these are the major projects.
- Parkishit Kandpal:** We have the number on hand right now?
- P.S. Patel:** I am not telling number right now in detailed about which are the project and what we have booked for each of the projects because in total it is 42 projects.
- Parkishit Kandpal:** Okay the second things basically on this Sterlite and other projects any update on the bids and Sterlite what has happened there I mean, what stage?
- P.S. Patel:** Which projects?
- Parkishit Kandpal:** You had one project in SR.
- P.S. Patel:** SR projects has been scrapped out, we have not had any order from SR since last six months, so we do not consider that as a part of the book.
- Parkishit Kandpal:** Okay and what will be now after significantly completed on 50% SDB project so what will be our qualification like is have to bid for the government projects now so how much would be certified qualification as of now?
- P.S. Patel:** I think we have at the end of the project which will be in the range of minimum 3000 Crores projects and even may be in between there is a tender that we are completed more than 60% of work and I think it would be in the range of from bidding of Rs.2000 Crores.



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- Parkishit Kandpal:** Sir in this Rs.190 Crores of SDB which you have revenue which have recorded how much would be the bought out items like you said that lift and all you have basically this quarter you had deployed that so what cost?
- P.S. Patel:** That details are not with me.
- Parkishit Kandpal:** Because your margins seems to have come off so I am wondering that....
- P.S. Patel:** It is about Rs.40 Crores to Rs.50 Crores.
- Parkishit Kandpal:** Sir how was your revenue guidance for FY2020 and FY2021 because this quarter has been very robust so for FY2020-FY2021 what is the revenue guidance?
- P.S. Patel:** This may be in the same range of whatever we have been performing till today
- Parkishit Kandpal:** So this quarter you have done 400 looking at 400 plus fourth quarter?
- P.S. Patel:** It can be in the range of 400 may be less may be more.
- Parkishit Kandpal:** Next year Sir 10%, 15%, 20% growth what are you looking at?
- P.S. Patel:** 15%, or more than 15% growth we can expect.
- Parkishit Kandpal:** Okay Sir. Thank you Sir that is all from my side.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.
- Ravi Naredi:** It is very good quarter indeed in this topline and bottom line everything you are doing in a right way Sir any L1 project what we likely to get in near future which can be converted into confirm project?
- P.S. Patel:** Which we have already declared Rs.307 Crores where we are L1 and we are expecting that order to come.
- Ravi Naredi:** Except that Rs.300 Crores not other L1?
- P.S. Patel:** No.





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- Ravi Naredi:** Okay and Sir secondly Surat Diamond when we are likely to complete this project? Timeline Sir?
- P.S. Patel:** Timeline for the project has been extended from 30 months to 40 months, but we are still targeting to complete the project in 36 months so probably I am expecting this to get completed by December 2020?
- Ravi Naredi:** December 2020 will be likely to complete it? Right?
- P.S. Patel:** Yes.
- Ravi Naredi:** Thank you all the best Sir.
- Moderator:** Thank you. The next question is from the line of Dushyant Mishra from Sageone Investment. Please go ahead.
- Dushyant Mishra:** My question is more on the side where you see cash situation once you complete a certain amount of this SDB project, you said you will qualify for Rs.2000 Crores project. Is there going to be a need for more cash infusion or even go forward the QIP situation or again click on more data just wanted to understand if there is going to be a change in your cash situation going forward to qualify for these large projects?
- P.S. Patel:** Sir can you repeat your question; I am not getting clearly what is the question is about?
- Dushyant Mishra:** Sure my question is about your cash situation you know you said that about 60% completion of the Surat Diamond Bourse project you will qualify for projects of Rs.2000 Crores, is there going to be a need for more cash because right now you have about Rs.229 Crores so there is going to be change in that and will need to take on more debt to qualify for bidding in these projects.
- P.S. Patel:** Actually they would not be much case required as far as working capital is required, but there will be requirement in terms of cash when we are bidding for large size projects, non fund based bank guarantees which we require which we have to get if we are going for large size projects wherein we may require margin, which we will be in the range of 25% in bank guarantee, but will not be a requirement of cash as a working capital
- Dushyant Mishra:** Okay that is. Thank you.



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- Moderator:** Thank you. The next question is from the line of Aayush Sharma from Edelweiss. Please go ahead.
- Aayush Sharma:** Two points I missed so firstly what was the order inflow in Q3 and how much has you kept it out in terms of L1 orders?
- P.S. Patel:** I have already said in the opening statements Rs.271 Crores was inflow or order in Q3 and we have Rs.329 Crores facility order, and Rs.42 Crores interior and Rs.307 Crores in L1.
- Aayush Sharma:** Okay Sir and has the payable days increased slightly this time or have it remained similar to H1 levels?
- P.S. Patel:** I think there is a difference for four to five days compared to last quarter.
- Aayush Sharma:** Sir any major reason or would that stabilize going forward?
- P.S. Patel:** No major reason.
- Aayush Sharma:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir I understand you already said that SDB is in still process so two things what is still that are stuck and second are we still open for both date and equity or slight may be our focus would be maybe we can go for date?
- P.S. Patel:** Since we have one-year permission for this we think about that at the right time and we will do it in the right way.
- Shravan Shah:** Okay and Sir would you like to give any update on the central Vistar as the tenders came or when it will likely to get because last time you told that may be this January and February?
- P.S. Patel:** So whatever we heard from the market and what we heard from the newspaper it is probably going to come somewhere in the month of march actually it was supposed to come in February first week something must have delayed in terms of resolution of the tender documents, so still we are waiting let us see in March.
- Shravan Shah:** Okay and Sir this Rs.307 Crores L1 order that is from the GIDC Gift City that is one?



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- P.S. Patel:** Yes, GIDC Gift City.
- Shravan Shah:** That most likely would be there by this March so apart from that in terms of what kind of other orders that we are looking may be this February and March? How much more what is the bid pipeline for this two months and can we expect Rs.300 Crores to Rs.400 Crores inflow from this L1?
- P.S. Patel:** We are going bids conservative also and the same time we had in bids in Rs.800 Crores to Rs.1000 Crores and most of the projects are in from process probably we can add 100 to 200 Crores that is what maximum I can see.
- Shravan Shah:** Okay and next year we would be comfortable in the same runrate of Rs.2000 Crores kind of order inflow that kind of opportunity are there?
- P.S. Patel:** We can consider on that line.
- Shravan Shah:** Okay that is it from my side and all the best. Thank you.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from Philip Capital. Please go ahead.
- Dhiral Shah:** Sir there is a press release stating we have appointed Sagar Prahladbhai Patel as an additional director and this is effective from November 1, so what would be the role of the Sagar Bhai?
- P.S. Patel:** See actually he has joined the company at least one-and-a-half year, he was at the Surat Diamond Bourse for 18 months now we have already shifted to office and presently he is looking after tendering and contract portion for us to understand how to things are moving the company.
- Dhiral Shah:** Okay and Sir what had led to this dip in margins?
- P.S. Patel:** What is the reason for dip in margins?
- Dhiral Shah:** Yes, we used to deliver margins of around 14% and this time we have seen a margin below 13% that is why?



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- P.S. Patel:** See usually that margin is ranging between 12-14% so it depends on what kind of project is going and during that quarter what type of activities are going, I do not see there is a dip in our margins.
- Dhiral Shah:** Sir it can again bounce back to 14%.
- P.S. Patel:** I cannot assure you as of now, but it can be in the range of 12% to 14%. It depends on that what type of activities are going in the quarter.
- Dhiral Shah:** Okay and sir what is our bid pipeline right now?
- P.S. Patel:** Bid pipeline is about Rs.850 Crores to 1000 Crores.
- Dhiral Shah:** Okay and we are expecting Rs.2000 Crores of ordering for next year, right?
- P.S. Patel:** Yes.
- Dhiral Shah:** Okay. Thank you Sir that is it from my side.
- Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.
- Kaushal Shah:** Sir newspaper reports are indicating some major losses for the diamond industry due to the China coronavirus, it is just too early but are we facing any delays in our payment cycle from the SDB.
- P.S. Patel:** Till today there is no delay and we have also read that news, but I think that industry may have that impact from the size of the office that we have been telling you, that each office owner is investing too much per office, so I think it will not impact too much on the payment side from SDB.
- Kaushal Shah:** Right, Thank you.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Thanks for taking my questions and congratulation on very good set of numbers. Sir just now I understand your US exposure and have you seen any movement in terms of inventory liquidation and we want to sell some unit and use that money to fund the second project?



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- P.S. Patel:** We are also waiting for the same so it is in the process.
- Prem Khurana:** Okay so fair to assume that it will take some more time?
- P.S. Patel:** Probably we were expecting the open house bid which we did somewhere in the month of November, December, now we are expecting that open in February so let us hope it should be concluded in the month or so.
- Prem Khurana:** Entire proceeds whatever you have get to in terms of proceed from this liquidation would do to meeting the requirement for the second project right?
- P.S. Patel:** Yes, we can consider that.
- Prem Khurana:** I am assuming I mean the project goes little slow, and liquidation goes little slow could there be a situation wherein you would be required to fund the second project and how much could the amount be in terms of the money that we have to invest?
- P.S. Patel:** We also told that we require some more money for that projects we have been in the range of Rs.6 to Rs.10 Crores.
- Prem Khurana:** Sir on this Surat Diamond Bourse I think we were supposed to receive some incremental work there any progress there I think we were in discussion with the client for the fit out things?
- P.S. Patel:** Those are the interiors of the projects but since we have to handle about 4200 clients individually so we have not moved on this line the client is open if we start something one interior later after in March and if we can do in Rs.5000 to Rs.6000 we can even think of that but until today we have not started anything on that line.
- Prem Khurana:** Okay and also if you could help us to understand the status on the hedge project in the Torrent Pharma I think it was moving little slow?
- P.S. Patel:** The hedge project is almost now at the verge of completion but we are Torrent Pharma was almost moving close for six to eight months and we have got the accretion of 4-5% and we have already started full fledge so now it is on
- Prem Khurana:** Sure and just one last if I may on inflows I think we have already it what we are targeting for the year including we have already done better than what we were targeting so how does



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they change your bidding strategy I mean is it fair to assume that now you would look for higher margins if you are going for any new orders at least in this year, have you firming of the budget for the next year or we are fine with the number that you are bidding with and you do not intent to take your expectations higher in terms of margin whenever you bid for a new project now?

**P.S. Patel:** It depends on the type of the contract and the client, who is the client so it is not absolutely always we are taking a call based on the margin only, of course the margin of bottom line we always consider which is the lowest margin on which we should do the work when we select our contract we also think about the client whether he is the older client or the existing client, we take all parameters into consideration when analyzing on the contract.

**Prem Khurana:** Sure sir, Thank you.

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

**Chintan Sheth:** Thanks for the opportunity Sir and congrats for the good set of numbers, Sir can you provide absolute amount of debtors payables and receivables for the nine month?

**Hetal Patel:** Yes, I have in my initial speech I have already mentioned debtors days for the nine months on a standalone basis in 54 days. Payable days around 51 and inventory days 25.

**Chintan Sheth:** This is calculated on trailing 12 months revenue.

**Hetal Patel:** Nine months.

**Chintan Sheth:** Annualized.

**Hetal Patel:** Not annualized, based on nine month revenue.

**Chintan Sheth:** Nine months revenue.

**Hetal Patel:** You can say annualized based on the previous year numbers.

**Chintan Sheth:** Okay and Sir you mentioned Rs.6 to Rs.10 Crores additional fund will be required in the US project if liquidation does not happen in Q4 just wanted to check on that statement?



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- P.S. Patel:** It may be required, because if the sale has not happened and we have to start on the second project, then only it will be required because two projects we are in the initial stage only, if it comes by November, December then it may not be required it depends on when this is sold and when we start the project starts.
- Chintan Sheth:** So USA expecting Rs.1.5 million for the Livermore two units which were up on sale right?
- P.S. Patel:** 2.5.
- Chintan Sheth:** 2.5 million.
- P.S. Patel:** Okay out of that 1 million we have to pay to the bank.
- Chintan Sheth:** 1 million sorry I could not get it.
- P.S. Patel:** 2.5 million is may be can be the 2.4 million is the total revenue which can from this project and 1 million we have already taken loan from the bank for this project.
- Chintan Sheth:** Okay 1 million will be repaid to the bank again?
- P.S. Patel:** So we will have a cash of about 1.5 or 1.4.
- Chintan Sheth:** Net will be 1.4 okay and Sir in the Bhiwandi we have not yet commissioned anything right I can see some movement in Pandharpur and even you mentioned about Torrent also we saw some movement in this quarter?
- P.S. Patel:** Yes. Pandharpur project is full fledged and in 10-15 days the Torrent project is also on full fledge so those two projects have started.
- Chintan Sheth:** Phoenix also I am seeing very strong execution this quarter as well as, we got some additional work order apart from the previous order/
- P.S. Patel:** About Rs.40 Crores additional awarded because of the change in FSI.
- Chintan Sheth:** How much we have executed so far?
- P.S. Patel:** We have executed about 17 Crores?



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**Chintan Sheth:** Right I am also getting that figure only, Rs.17 Crores in past two quarters after we received the orders. Okay Sir Thanks.

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

**Ashwin Kritik:** Congratulations for a good set of numbers and also congratulations on the recent order that have been won. Sir my question was like more from a time frame for four to five years when I believe that currently we have enough bandwidth like take major number of orders from Gujarat itself it is like a 70-30 split as mentioned in the annual report. I was just hoping to understand that say three to five years down the line when we are looking at Rs.3000 to Rs.4000 Crores of top lines what would be the kind of split in Gujarat versus outside Gujarat revenues that we would see and how do we stand in terms of the management bandwidth in terms of the top management like execute at parallel location and how do we see managing the working capital situation having multiple projects like outside of Gujarat?

**P.S. Patel:** See now we have experience, we have been working at Bangalore for two projects since last two years and literally we have already started one project in Pandharpur near Pune and third project in Mumbai so we have done some projects in Rajasthan also, so we are not 100% focusing on Gujarat but of course whenever there is a good opportunity we of course will go out of Gujarat and then we require revenue out of Rs.3000 Crores plus. We have also received order for Varanasi project that was Rs.340 Crores if you said the total order book I think it will be 70-30.

**Ashwin Kritik:** Okay and also Sir regarding the management bandwidth with the top manager into like sort of execute multiple projects like say some save like when we are like Rs.3000, Rs.4000 Crores kind of topline say three to four years down the line do we see ourselves like sort of building up the talent pool for that sort of a thing because you have mentioned in some of your interviews that the dependence is more on the top management and the capabilities and like building the ways for that rather than the machinery and things like that. So I wanted some color on that?

**P.S. Patel:** I have been always telling that I believe in my middle management more and middle management work from the ground so we are trying to create more and more process within the company so that people does not have any problem in execution. So increase in the bandwidth by training the people through processes we have already appointed Sagar since last three month so it is improving our SOP and therefore I am trying to put more and more





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people into process so having being in the range of 10-15% or 15-20% when we are growing then we cannot increase to 50%. So same person who is working for a company and joining a company after three or four years he are capable to handle a project of Rs.50 Crores if he is having that understanding of the company's processes. I am still focusing more on processing and then on people and of course my son and daughter have already joined the company. They are also focusing more on the management side so we think that we will be able to cope up with the management strength.

**Ashwin Kritik:** Okay. Thank you so much for the opportunity.

**Moderator:** Thank you. The next question is from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.

**Parkishit Kandpal:** So I just asking on BD efforts in new locations which you have got project so what kind of efforts are going on that to get more project outside Gujarat and deals the Gujarat exposure, so either be Northern India like in Varanasi or in Maharashtra two projects or in Bangalore where we have already two projects for last two years but we have not seen any substantial growth in that order book so just wanted a color on that.

**P.S. Patel:** See we are still trying to focus as we were saying when we came to work in Bangalore, Karnataka then we have shifted to Mumbai, we have worked on some parts in Rajasthan now we have just moved to Varanasi so in the Northern India we can focus still UP, Delhi, Rajasthan, Gujarat and Karnataka and Maharashtra. We are not going to presently inclined to go towards East, I would say that.

**Parkishit Kandpal:** Okay so what kind of like BD efforts we have already putting in what kind of people you would have recruited in these locations or everything we like again taken from Ahmedabad only?

**P.S. Patel:** No actually what is happening is since last 12-13 years of our journey we have plenty of people coming in the company out of Gujarat also from the senior level or at the junior levels so upfront when we started on Varanasi we were having sufficient people from UP itself to move to Varanasi so that type of staff we have been already infusing since very long, so whenever we get that types of opportunity, most of the staff when we select also, we try to focus on that whenever we need to move out of Gujarat. We do not have problem in moving the staff.



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- Parkishit Kandpal:** But these locations itself will become bigger like as you started small in Gujarat so these locations over a period of time will themselves become bigger locations right for you. So we have a long term plan for these location it is not that we are taking just one of the projects?
- P.S. Patel:** No, see what is happening when we talk about also Gujarat it is always 1 or 2% going from Gujarat, when we are operating in Bangalore also the project manager and some senior engineers going from Gujarat, the rest of the engineering team and supervisor team we will get from local location and when we get from the area onwards.
- Parkishit Kandpal:** I am seeing more from the order book perspective like in Varanasi we have Rs.300 Crores, projects so do you see this order book of say Northern India going to Rs.1000 Crores and Rs.1500 Crores and do you have a plan already in mind?
- P.S. Patel:** See that much visualization in the building construction it thinks it is not possible whenever it comes into the market then only we focus on whether we have to go on these locations or not.
- Parkishit Kandpal:** Okay because obviously your clients will want you to be there for a longer term they will like to understand what our long term plans in that location or region?
- P.S. Patel:** See you are absolutely right, every client wants us to be in the location, but again when we are moving out of Gujarat we are always going to be bit cautious also and who is the client and how much potential in there for that project only we focus, we do not focus on the region that how much revenue will come from the region because it is always decide as and when the projects come into picture.
- Parkishit Kandpal:** Okay on this Bhiwandi project. You have already got the EC sir? Environmental clearance for this project?
- P.S. Patel:** Yes, we have already got.
- Parkishit Kandpal:** Okay and earlier I was asking about the Vedanta project. As far you told me but what about the status of this Vedanta project and any update on that.
- P.S. Patel:** I think that project we have closed because we have not heard anything from their side since last two-and-a-half months.



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- Parkishit Kandpal:** And just last bit on this southern markets in Bangalore we have two projects so how is the bid pipeline there are you engaging with more client and you are bidding there for more projects?
- P.S. Patel:** No previously we are having an opportunity from Brigades Group and we bid and lastly we had one inauguration of Brigade in Gandhinagar at that time I have also taking chairman of Brigade he was telling that whenever the opportunities come we will bid for them.
- Parkishit Kandpal:** Okay you will continue to bid for Brigade only?
- P.S. Patel:** Brigade Prestige both.
- Parkishit Kandpal:** In the institutional segment like these commercial offices and others like, commercials malls or retail malls?
- P.S. Patel:** Yes, whatever with this, first from and foremost thing when we are entering into developing business, when we are constructing for a developer we need to understand who is the developer, we have very good experience in both of these people, I think we can have that safe mind to do bid for those people.
- Parkishit Kandpal:** Okay Sir Thank you that is all from side.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir what is our current fund base and non-fund base limit and how much is utilized?
- Hetal Patel:** Yes, current total limits what we are having right now is Rs.610 Crores and out of that around Rs.175 Crores is outstanding.
- Shravan Shah:** Pardon Rs.175 Crores is unutilized?
- Hetal Patel:** Yes, unutilized.
- Shravan Shah:** Okay so this is combined you are thing of fund and non-fund, okay?
- Hetal Patel:** Our fund based limit is convertible to nonfund base so as and when we require we can utilize that.



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- Shravan Shah:** Okay, secondly just wanted to understand, our excluding SDB order book so the remaining is Rs.2300 Crores, what is the execution period, is it less than two year, I am trying to understand in how many one-and-a-half, two years can we complete?
- P.S. Patel:** It is two years because if we consider that Bhiwandi project and other projects we were at least having minimum two years so we can see the total outstanding order book excluding SDB can be for two years.
- Shravan Shah:** Okay so Bhiwandi is 36 months so race would be towards two years.
- P.S. Patel:** I am saying the average so some of the projects will be having about one to one-and-a-half years.
- Shravan Shah:** Okay and Sir this nine month we already done Rs.24 Crores capex so this year how much additional are we planning to do and next year how much capex so definitely it depends on the what kind of orders we get just a broad range?
- P.S. Patel:** Yes, it will be in the same range, what we have been seeing it will be the range of 3-4% of revenue, but this year we may go below 3%.
- Shravan Shah:** Okay, Thank you.
- Moderator:** Thank you. The next question is from the line of Sumit Modi from JM Value Investment. Please go ahead.
- Sumit Modi:** Thank you for the opportunity Sir. Sir this quarter in Q3 the revenue recognized from SDB is close to Rs.190 Crores. Is it because of highest proportion of equipment components because of which the margins are low, because the margins have been at a 10 quarter low.
- P.S. Patel:** Margins are at a 10 quarter low?
- Sumit Modi:** Yes.
- Hetal Patel:** See that is overall margin you are talking about, so SDB project, major revenue may be due to this equipment elevator installation and all but overall margin may depend on other projects also.
- P.S. Patel:** What type of activities are going in that portion in that quarter which we are considering, so depending on the activities as you are seeing MEP of course MEP may be sharing some less



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profits so that can also be criteria but sometime finishing activities carry more profit also so on an average are we always say 12-13% and it ranges between that.

**Sumit Modi:** Okay also given that we have some close to Rs.780 odd Crores of pending revenue to be booked which you are saying will be booked in the calendar year of 2020 so that amounts to around Rs.200 Crores again for every quarter on a run rate basis so would that also have some sort of large amount of equipment proportion because of which margins can be moderate?

**P.S. Patel:** No now on the equipment side we do not require anything more because most of the things building contract as far as the equipment, initial phase of the project which is machinery and shuttering material, now the major structure is over, we have already shifted our one plant to Varanasi so the things on the Capex side will be start moving from that side and the major activities which is going is MEP which is a brought out item so we do not require too much capex to completely take this.

**Sumit Modi:** Okay and thank you all the best.

**Moderator:** Thank you. The next question is from the line of Jitendra Rushi from BOB Caps. Please go ahead.

**Jitendra Rushi:** Yes, good evening Sir. Thanks for taking my question. Sir I just wanted to know the revenue breakup project wise and region wise for this quarter.

**P.S. Patel:** We are not ready with that figures, can you call us later and we will be ready with that figures.

**Hetal Patel:** See we are having around Rs.45 Crores execution so it will be varying we are seeing major SCV projects revenue.

**Jitendra Rushi:** I will take it offline, Thank you mam. All the best.

**Moderator:** Thank you. The next question is from the line of Pratik Kothari from Unique Asset Management. Please go ahead.

**Pratik Kothari:** Good afternoon Sir and Thank you for the opportunity. Sir just one question on bid pipeline which was about Rs.3500 Crores at the end of FY2019 has come down to I think you



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mentioned in the call Rs.850 to Rs.1000 Crores so what has happened, why has our pipeline shrunk so much?

**P.S. Patel:** See when we are talking on that side, we have been also mentioning Essar Project and Jamnagar project, both of these two projects were totalling to more than Rs.1000 Crores and that we have now considered that they did not going to come again, so the outstanding of pipe bid line is around 1000 Crores.

**Pratik Kothari:** Okay Sir then at that time in March we had this last projects which are not going ahead any.

**P.S. Patel:** We were considering and it was also fluctuating when they came up with the tender it was more than Rs.1500 Crores, then they came up to Rs.1000 and it would come to Rs.500 so we were also not sure of the exact size of the project.

**Pratik Kothari:** Fair enough but we have enough visibility to continue the current run rate or order flow?

**P.S. Patel:** Yes, yes we do not have that problem.

**Pratik Kothari:** Thank you. Sir all the best.

**Moderator:** Thank you. The next question is from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.

**Parkishit Kandpal:** Sir just one question on what is the nine month FY2020 revenue of SDB total revenue for nine months.

**P.S. Patel:** For nine month is Rs.372 Crores.

**Parkishit Kandpal:** Rs.372 crores for nine months and out of that Rs.190 Crores in this quarter.

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

**Parkishit Kandpal:** Okay. Thank you Sir.

**Moderator:** Sir you may have proceed with the closing comments Sir.

**Amber Singhania:** Thank you everyone on behalf of Asian Market I thank everyone for joining this call and special thanks to the management of PSP Projects Limited for providing the insight about the company and business future outlook. Thank you we conclude this call.



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