



“PSP Projects Limited 1QFY22 Results Conference Call hosted by Ambit Capital”

July 19, 2021



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

MODERATOR: **MR. VARUN GINODIA – AMBIT CAPITAL**

Moderator: Ladies and Gentlemen, Good Day and Welcome to PSP Projects 1QFY22 Results Conference Call hosted by Ambit Capital. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Varun Ginodia from Ambit Capital. Thank you and over to you, Sir.

Varun Ginodia: Thank you so much Aisha, and Good Afternoon everyone and I hope everyone is keeping in good health in these unprecedented times. Today, we are pleased to host the Management of PSP Projects for 1QFY22 earnings call. From the Management, we have Mr. P.S. Patel, Chairman, Managing Director, and CEO, and Mrs. Hetal Patel, Chief Financial Officer. In terms of the format of the call, the Management will give the brief remarks on the results release and then we will open the floor to Q&A. Sir, over to you.

P. S. Patel: Thank you, Good Evening Ladies and Gentlemen, this is P. S. Patel – Chairman, Managing Director, and CEO of PSP Projects Limited. Along with me is Mrs. Hetal Patel – our CFO welcomes you all to this earning conference call, which is focusing on our company's performance in 1QFY22.

First of all, I hope you all are safe at your place and taking care of yourself and your family. As we are meeting on this call within a very short gap of almost one month from our last call of 4QFY21 results, operationally I think there is not much to update to share as I had covered all the areas in the previous call, however, I am covering few of the updates.

Revenue: Company has booked the revenue from operations of Rs. 317.35 crores in Quarter-1 FY '22, which is about 197% higher comparing to year-on-year as you know that the first two quarters of previous year were badly affected due to begging of COVID, lockdown, worker migration. This is by far the highest Q1 revenue we have achieved but we believe that this could have been higher but once again the operations were affected due to the 2nd wave of Covid.

Most of the labours who generally goes to their village during Holi didn't returned back till end of May, also there were Partial Lockdowns, Night working restriction, Reduced Staff Working etc. which impacted the operations in Q1. The situation now is really very well and I would say all the sites are working with 100% labour strength. We are very optimistic that the upcoming quarters should be good if the obstacle of 3rd wave or something else disturbs the operations.

Order book:

At the End of Q1FY22, Company's stands with order book of Rs. 3852.21 Cr. As informed in the last call, all the projects are fully mobilized and work is going on in full swing except 2 projects.

As informed in the previous call, the designs are getting approved very aggressively and physical progress at 5 sites have started from July first week. Remaining 2 sites are fully mobilized in terms of Plants, Machineries & Manpower, just waiting for the design clearance which should be completed by end of this month.

So these were the key highlights from my side, for detail financial disclosures, I will request our CFO Ms Hetal Patel to take it forward. Thank you everyone to be 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 June 30, 2021. Company has booked revenue of Rs. 317.35 crores for the quarter ended on June 30, 2021. The revenue generated from Surat project was Rs. 92 crores during this quarter. Cumulative revenue till June 30, 2021, is Rs. 1486 crores booked for Surat project. EBITDA for the quarter is 39 crores, which is 12.42% of the revenue from operations. Net profit for the quarter is arrived at Rs. 25.11 crores, which is 7.82% of the total revenue. There is no change in revenue for the year ended on consolidated basis. Net profit as per consolidated financials is Rs. 24.91 crores which is 7.76 of the total revenue. Total expenditure incurred for the precast unit is Rs. 85 crores till June 30, 2021. Working capital days on the standalone basis are as follows; debtor days are 82, creditor days are 62, and inventory days are 25. During the quarter, company has increased credit facility limit from 610 crores to 1047 crores. Out of total credit facility of 1047 crores, utilized limit is 551 crores of which 120 crores are fund-based utilization and 431 crores is non-fund-based utilization. Work as on June 30, 2021, is 3852 crores, which comprises of 289 crores of Surat Diamond Bourse project. As on June 30, 2021, the company had total fixed deposits of 220 crores out of which three deposits of Rs. 73 crores, FD worth Rs. 140 crores are under lien with bank for credit facility and FDs given to client as security deposit amounts to Rs. 7 crores. The increase in fixed deposit is attributable to the receipt of mobilization during the first quarter from couple of projects.

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

Moderator:

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

- Chintan Seth:** Thank you for the opportunity. Good set of numbers Sir, managing margins as well that is commendable. Couple of updates Sir given what is the update there then UP already you mentioned and anything you want to talk about the bid pipeline and the outlook if you can for this year?
- P. S. Patel:** Regarding bid pipeline it is again ranging in the range of about 3000 crores as a whole and about Bhiwandi the matter is in the court and they are going to file their answer, so we are waiting for the matter to go on hearing.
- Chintan Seth:** When is the next hearing now?
- P. S. Patel:** Next hearing July 26th.
- Chintan Seth:** In the bid pipeline any large projects that is still there?
- P. S. Patel:** Yes, still the bid book is in the range of 3000 crores and most of the projects what we displayed and discussed in the last con call.
- Moderator:** Thank you. The next question is from the line of Sita Raman from Spark Capital. Please go ahead.
- Sita Raman:** Thank you, can you give the receivables including retention and unbilled revenue at the end of Quarter-1?
- Hetal Patel:** Retention is around 99 crores in total and receivable is 281 crores.
- Sita Raman:** The unbilled revenue part?
- Hetal Patel:** Unbilled revenue is also in line with last year only, there is no significant change.
- Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.
- Kaushal Shah:** Thank you Sir for the opportunity, Sir just wanted a clarification on the UP projects you are saying the design etc. is under approval, so when do we actually start work on the ground and will we start billing from maybe the October quarter or it could actually start even in the current quarter, the second quarter?
- P. S. Patel:** I said five projects we have already started work on ground and on two projects, the design is in the process of approval, so five projects we have already started and yes we will book the revenue in the next quarter only?
- Moderator:** Thank you. The next question is from the line of Aditya Choksi. Please go ahead.

- Aditya Choksi:** Thank you for taking my question, first of all Sir congratulations for decent set of numbers. Sir I had two questions, one is there any execution issues right now going on in any project and my second question would be what would be the revenue projection and EBITDA for the current financial year as now the scenario is open, so if you can just throw some light on that?
- P. S. Patel:** As far as revenue is concerned, it will be in the line with the same every year what we say the growth about 25% to 30% and it will be in the same range what we have done last year, so we can expect 25% to 30% growth from that revenue. Related to any other project which have a work issue that was the Bhiwandi project and second is this Pandharpur project. Pandharpur project we have slowed down the project because there is no cement and Bhiwandi you are aware that it is in the court.
- Aditya Choksi:** Sir, 25% to 30% revenue growth before the previous year from pandemic, right?
- P. S. Patel:** Yes.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital Markets. Please go ahead.
- Shravan Shah:** Sir, just a clarification, the previous guy you said 25% to 30% revenue growth on FY '21 numbers or FY '20 numbers?
- P. S. Patel:** FY '21.
- Shravan Shah:** So that comes close to 1600 even if I take 30% because last time we have talked about around 1700 to 1800 crores revenue, so it is lower, so are we slightly lowering what we said last month in the call?
- P. S. Patel:** We are not lowering, to be on conservative side we are saying it should be in the range of 25% to 30%, and every year whatever figures we say, every time we try to do better than what we expect.
- Shravan Shah:** Sir, just to reiterate in terms of the SDB now 290 odd crores is remaining, so this quarter that is the July to September can we see because this quarter we have seen only 92 crores, so now can we see 150 crores plus and by third quarter it would be a zero in terms of the order book?
- P. S. Patel:** As far as overall revenue coming from SDB is concerned I would say it will be somewhere in the range of 60% to 70% will be close in this quarter only, but maybe about 30% revenue maybe less after this quarter because there are few issues related to position, there are few issues related to commissioning and there are few percentage hold due to commissioning, so *mota-moti* you can consider 60% to 70% left up revenue should be booked in the next quarter and rest of the revenue may go in the last quarter.

- Shravan Shah:** For UP project now as we have started the work, so if you can broadly, roughly idea because 1491 crores total order book, so per month it is 83 crores, so this quarter can we see 150 odd crore kind of a revenue because it is just a quarter and the third quarter can we see a normal 80 crores per month so that is around 250 crore quarter?
- P. S. Patel:** As far as the monsoon is going on and there is heavy rains in UP as of now and at the same time when we are in plinth, volume cannot be generated in the first quarter only, so we can see a reasonable revenue in the third quarter only.
- Shravan Shah:** Okay, so this quarter it would be a much lower number maybe a 50 odd crore or can it be 100 crores?
- P. S. Patel:** Right now we cannot see 100 crores in this quarter for UP because presently we have started only five projects and we are expecting other two projects to start by end of July, so in excavation, there are two activities which is going on, excavation and the RCC up to plinth which is always a time-consuming job. Once you are out of plinth, you can have a set of number as what we planned.
- Shravan Shah:** Sir, couple of things in terms of the balance sheet number the left one is mobilization advance, how much is mobilization advance?
- P. S. Patel:** It is 10%, presently we have ...
- Shravan Shah:** No Sir I was saying as on June, last time it was 31 crores so now what is the outstanding mobilization advance number?
- Hetal Patel:** 100 crores because this quarter two project mobilization advance money the residential project and the UP project also we received around 60 crores.
- Shravan Shah:** Okay and cash and bank balance is?
- Hetal Patel:** Total FD is currently 220 crores so that includes the receipt of mobilization advance, we have kept at least and we will be utilizing overdraft facility as and when required, so out of 220 crores, the pre-FD is around 73 crores.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Thank you for taking my question. Two questions, one was I think in your opening remarks you said the utilization of our fund base limit is around Rs. 120 odd crore which appears to be higher on a sequential basis whereas when I look at scale of operations, we have done lower revenue sequentially, I understand there is a seasonality whichever have kind of played out during the quarter, but I was wondering if you could explain why this increase was there in

utilization of fund base because as I see it, you have also been able to manage good amount of mobilization advances from these UP orders as well your residential, so if you could help me understand what is the total debt why did the utilization of fund base limits go up in this quarter?

Hetal Patel: I have already mentioned is the fund base the total facility has been increased and as on June 30th, the fund base utilization of 120 crores was there and you said that mobilization was received, but we are keeping that separately for those projects and the fund-based utilization is mainly used for working capital as well as procurement of some of the assets as we have not taken any specific project finance for precast so we are utilizing for that also because we have.

Prem Khurana: Is it fair to assume the increase that we have seen on a sequential basis is not because of the business operation, but because of pre-cast facility incremental CAPEX that we would have done during the past?

Hetal Patel: You can say, yes.

Prem Khurana: Sure, also Madam on this precast given the fact that we have already spent 85 crores which is essentially I mean we have spent large part of the money that we were supposed to spend for this facility, have we started engaging with clients on because the facility is nearing completion, so the idea would be to kind of do not let it sit idle and the idea would be the day I finish it I may get to have some work wherein I would be able to utilize this facility, have we started engaging with the clients for works which would be carried out on a precast basis?

P. S. Patel: Yes, we have started doing enquiry. We have almost near to closing of enquiries to two of the people which may happen maximum within this month, so we will be having some work as and when it is concluded within the next week or maybe next two weeks from here. There are two projects on which we are discussing on and I am hopeful that it will be concluded in a week or so.

Prem Khurana: Sir, if you are engaging with the clients, I mean if you could share your thoughts on the margin I think last time you said the margin could be slightly lower than the conventional method of construction because of the raw material that we would be required to use, so margin would be I mean you still believe that the margin would be lower or still could be in line with what we have been doing?

P. S. Patel: It will be in the same range what we expect in the construction business and the cost of the material it is always a pass through, whenever we bill for any project in precast also we will try to quote through base rate only because this is cement and reinforcement basic raw material for the precast, so it has to be pass through and usually the trend is the same, so we would be bidding as and when we reach bid for any precast elements, it will be on a base wise, there will not be any impact of rates going up because of market of cement and steel.

- Prem Khurana:** Any more mobilization advances expected from UP, how much would be the balance from UP I mean that you are yet to realize?
- Hetal Patel:** See 5% we have already received, one project is remaining, other six projects we have received 5% and balance will be received when the stage comes, we have to provide them bank guarantees and then they will be giving us mobilization advance for this.
- Prem Khurana:** On this Maharashtra projects, the Bhiwandi and Pandharpur, I think our experience has not been that great, we started with Pandharpur we were going good suddenly it has come to a stage where I mean we are going little slow on this and Bhiwandi has we still do not have the work front available, so when we approach I mean these kind of orders in the future I mean what are the checks and balances you would want to in place to be able to make sure that you do not get to have similar kind of situation in the future because we have spent time on this, we put in efforts but then some of these efforts are yet to bear fruit which is where I was just trying what are the changes?
- P. S. Patel:** Check point is more related to the market over there and the department on which it is being constructed. If it is from the State Government directly and it makes a difference and it is from corporation or a *nagar palika* it makes a difference, so we have to be careful while choosing and at the same time we have to be careful in terms of location also. You can see that there is a difference between, the Government who is operating and the Central Government who is operating, so that is also one of the issues that these types of projects are not being handled properly.
- Moderator:** Thank you. The next question is from the line of Debashish Mazumdar from Edelweiss. Please go ahead.
- Debashish Mazumdar:** Hi team thank you very much for taking my question and congratulation on a very good set of execution, so my first question is to Prahaladbhai, Sir question that I have was in the macro scenario how is the bidding situation, are you seeing any aggressive bidding from the competition or the bidding scenario is light, and the second is whether there are sufficient amount of projects for everybody to lap up, so definitely the intensity is lower, so any color on that side Sir?
- P. S. Patel:** As far as bidding is concerned, I personally feel the competition is niche, there will not be any aggressive bidding and it again depends on type of project and the type of qualifying criteria, and as I always say that we are always going little bit conscious on the bidding side and we are not too much aggressive and whatever maybe the bidding other people are doing and as such I do not see any aggressive bidding on all of the projects. It may be at some of the projects like airports such type of projects then most of the companies are qualifying, there may be certain aggressive bidding over there, but as far as general projects where we are bidding, we do not see that aggressively.

- Debashish Mazumdar:** What is the target of order inflow that you have in lines for FY '22 Sir?
- P. S. Patel:** That will be in the range of the same revenue what we do in at least minimum 25% to 30% more to our revenue what we are expecting this year, minimum 1800 to 2000 crores.
- Debashish Mazumdar:** Basically, we are saying that from 3000 crores of pipeline that we are giving, we are confident that at least 1500 to 1800 crores of conversion from that pipeline?
- P. S. Patel:** This 3000-bid book is on present stage, still we have left about nine months so let us hope for the best.
- Debashish Mazumdar:** Second question is to Hetal Madam, Madam you have said that the receivable numbers is around 281 crores which is around 20 crores of increased sequentially, so I am trying to get some sense that is there any specific where money is getting stuck or it is just because of the lockdown and macro challenges which will be normalized going forward?
- Hetal Patel:** Actually, there are no specific, mainly some of the payments which we were supposed to receive in last week of June that was not received that is the main reason. If we see by July 15th, we have already received around 88 crores of outstanding, so there is no significant amount which is being stuck, so it is just a matter of one week pendency in collection, that is it. Normally, it is just Surat advance in the week of submission of bid that was received in first week of July.
- Moderator:** Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities & Finance Limited. Please go ahead.
- Dhananjay Mishra:** Thanks for taking my question, most of questions are answered just wanted to know, Sir can you see any delay because of UP election year, so any delay happening in education in UP Medical project?
- Hetal Patel:** There is no such delay noticed.
- Moderator:** Thank you. The next question is from the line of Hiten Joshi from Axis Capital. Please go ahead.
- Hiten Joshi:** Good Evening Sir, one question on the bid pipeline, so as you said you are expecting an order inflow of 300 crore, so what is the outstanding bid as on date and when can we expect the opening of this bid and can you highlight on which segments we have bid for?
- Hetal Patel:** Sorry actually there was urgent call which needs to be attended for PS Patel Sir, so I think bid pipeline is around 3000 crores.

- Hiten Joshi:** Can you highlight when can we expect few projects the okaying of bid so we can just, any update on that Madam or?
- Hetal Patel:** Currently we do have that status, but it is ongoing process, this much is under bidding so as and when prequalification stage and final stage comes, our will be there.
- Hiten Joshi:** This 3000 crore will be mostly from Gujarat or we are trying to build outside Gujarat also like we bid in UP and other states?
- Hetal Patel:** It is around 70% only.
- Hiten Joshi:** Madam, what is the outstanding gross debt number as on June?
- Hetal Patel:** The current facility which we have utilized, current borrowing is 120 crores.
- Hiten Joshi:** Madam, on the Central Vista has the bidding started or we expect this to get delayed further by three to six months where we can qualify and now bid independently after Surat projects we are targeting to get over by August-September right, we will get the qualification certificate for that?
- Hetal Patel:** No, still we are not being qualified because of this non-completion of Surat project, so we have not made it yet.
- Hiten Joshi:** So Surat you are targeting to complete by August?
- Hetal Patel:** Sir has already mentioned there will be like say of finalization, so it may extend to the third quarter also.
- Moderator:** Thank you. The next question is from the line of Dhruv Bhimrajka from Monarch AIF. Please go ahead.
- Dhruv Bhimrajka:** Good Afternoon Madam, I just have one question regarding our EBITDA margin, so like we have posted around 12% to 14% EBITDA for this first quarter, so what is the range of EBITDA that you expect for this financial year FY '22?
- Hetal Patel:** As we are normally saying that it will range between 12% to 13% of the revenue, it may range from 11.5% to 13%.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Markets Securities. Please go ahead.
- Amber Singhania:** Thank you, just one clarification wanted to understand regarding the previous question, so you mentioned Surat Diamond Bourse will get completed by Q3 FY '22 right?

- P. S. Patel:** Yes Q3.
- Amber Singhania:** Sir, so in that case are we not eligible entirely for bidding of Central Vista any of the packages now?
- P. S. Patel:** That depends on again the criteria if they allow for 90% construction completion, we may qualify.
- Amber Singhania:** What is the timeline for Central Vista Sir, when it is expected to come for bidding and tendering?
- P. S. Patel:** That we cannot envisage today how they are going to get all the tender, so that presently we can say out of 20,000 crores of project, almost 5000 crore tenders have come up, so still there is an hope of 13,000 to 14,000 crores of work to come.
- Amber Singhania:** So it all depends on whether they allow or 90% completion to consider for bidding or not, secondly how fast we will be completing this Surat Diamond Bourse?
- P. S. Patel:** Yes.
- Amber Singhania:** Apart from Central Vista, could you name few large projects which are coming or which are already there in the pipeline on bidding side or which are coming in next six to eight months?
- P. S. Patel:** As I said earlier our bid book of about 3000 crores, the major is Gujrat Housing Board of about 750 crores and there are few projects from Adani Airport so 300 to 400 crores, there are few projects from Adani Commercial also and one more project Medical College at Amethi there is about 250 crores. We are also bidding to Arcelormittal that is about 300 crores, but most of the project which we are bidding presently is in the range of 300 to 400 crores and exception that is Gujarat Housing Board Project that is more than 700 crores.
- Moderator:** Thank you. Mr. Varun Ginodia I would request you please have any closing comments.
- Varun Ginodia:** Thank you so much Aisha and thank you Sir and thank you Madam for patiently answering the questions.
- P. S. Patel:** Thanks to all of you and stay safe.
- Hetal Patel:** Thank you everyone.
- Moderator:** Thank you. On behalf of Ambit Capital, that concludes this conference. Thank you everyone for joining us and you may now disconnect your lines.