



“PSP Projects Limited
Q3 FY2021 Earnings Conference Call”

January 27, 2021



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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2021 Earnings Conference Call of PSP Projects Limited 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 Singhanian of Asian Markets Securities Private Limited. Thank you and over to you Sir!

Amber Singhanian: Thank you, Lizann. Good afternoon everyone. On behalf of Asian Markets Private Securities, we welcome you all for Q3 FY2021 Earnings Conference Call of PSP Projects Limited. We have with us today, Mr. P.S. Patel, Chairman and Managing Director of the Company, Ms. Hetal Patel, CFO along with their team supporting them. Now, I would like to hand it over to Mr. Patel for their opening remarks and then we can proceed to the Q&A session. Over to you Sir!

P. S. Patel: Good Evening Ladies & Gentlemen, this is P.S.Patel, Chairman, Managing Director & CEO of PSP Projects Ltd along with Mrs Hetal Patel (CFO), welcomes you all to this Earnings Conference Call which is focusing on our company’s performance in Q3 FY 2021. Hope you all are fine and safe at your place. Before we move to the financial statistics of last quarter by Ms Hetal Patel, I would like to throw light on few of the updates & developments of this quarter.

As I conveyed during the last call on Quarter 2 Results that the challenges like Lockdown, Workers’ Migrations & all in the first quarter, quarter two of unlock had been significantly improved for the industry and the remobilization of the workers had reached to 95% by August End which was almost 50% till July. Which was further improved in this quarter and I feel all our projects have started progressing without any hurdle of pandemic (which can be seen from the results too). Only two projects - EWS Housing Project at Bhiwandi & Swaminarayan Sabha Hall Project in Ahmedabad hasn’t commenced yet because of issues related to clearance and approvals which I believe should be through by February end.

With this company has Booked revenue from operations Rs. 390.16 Cr in Q3 which is just marginal 8% less if we compare Y-o-Y basis but personally I feel it’s a good immediate recovery post lockdown. Company has bagged orders of Rs. 112.08 Cr in Q3 which sums up to the total order win in FY21 to Rs. 220.98 Cr till date. I know this number is quite less compare to our previous couple of years.



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Actually there are two reasons for the same –Our major client portfolio belongs to private sector and due to this pandemic, private players have delayed or still reviewing the market sentiments in infusing any new capex. And another reason is we were expecting two major orders by December end worth Rs. 1200 Cr which unfortunately couldn't converted.

Anyway, It happens in the business. This numbers are not immediate concern for the company as we still stand with Order Book of Rs. 2521 Cr. which can cater for another 6-7 quarters at least from now. Also We still have a very strong live bid book of Rs. 5000+ Cr and few selected inquiries of Rs. 1500 Cr yet to come on table as those projects are at concept/design stage. So hopefully we will see good numbers by this quarter end.

We have successfully completed 6 projects in Q3 and total 10 projects in FY21, with this total projects completed by PSP has reached to 153.

Regarding SDB update, SDB is progressing very fast and as expected we will be commissioning the project somewhere in the month of April and probably there will be part of some position for the split out for the tenant somewhere in the month of April, so overall strategy how to deliver the whole project as a whole or it has to be delivered in power to power it has to be decided with the client.

Regarding Precast factory update, it is progressing very fast. We have already completed the foundation. We have started the detection of column and the structure is already ready, so by end of February, I think we should improve successively and by the end of March, the factory is completed and we are expecting machinery to reach in the first week of March, so probably as planned will be do this production somewhere in the month of April or May, but till then we have already initiated some of the orders for Precast, which is related to the bullet trains and some projects some of things we have converted from our own projects as per Reliance we doing some precast metros, which is a very long, length of six kilometers, so that is how we have are going through respectively. So, these are the key highlights from my side.

One more last update regarding USA subsidiary after the election of USA certainly this will move a little faster and probably we are expecting commissions to come somewhere in the month end of March or the first week of April. That is all from my side. Take care and safety. I will put it to Ms. Hetal Patel.

Hetal Patel:

Thank you Sir. Good afternoon everyone and welcome on the call. Let me first give you the highlights of standalone financial results for the quarter ended on December 31, 2020. During the quarter company's operations recovered further from the economic slow down



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served by the COVID-19 pandemic. Company has booked revenue from operations of Rs.390.16 Crores for Q3. This is lower by 8% compared to similar quarter of previous years. The revenue generated from Surat project was Rs.135 Crores during this quarter.

Total revenue booked for Surat project for the nine month of current year is Rs.246 Crores and cumulative revenue till December 31, 2020 is Rs.1203 Crores for the Surat project. The company has booked EBITDA of Rs.46.93 Crores, which is 12.03% of the revenue from operation. This has reduced by 13% compared to Q3 of the previous year. Other expenses of Rs.4.67 Crores include provision made for unspent CSR expense of Rs.2 Crores for the nine month of current financial year. This provision has been made to comply with the recent notification on CSR expenses.

Exceptional item of Rs.2.74 Crores represent loss on impairment of investment in one of the subsidiaries PSP Project and Proactive Constrictions Private Limited. The company was holding 74% stake in the stake subsidiary and as there are no further projects to be executed with the JV partner, the balance 26% stake was acquired from the JV partner by the company during the quarter. The loss on impairment of investment in subsidiary has been worked out considering the fair value of shares across acquired.

Net profit including the comprehensive income was recorded at Rs.27.89 Crores for the quarter. This is 7.08% of the revenue from operation. The net profit reduced by 24% compared to Q3 of the previous year. If we look at the working capital days, debtor days are 52, credited days are 53 and inventory days are 21 for the quarter. As on December 31, 2020, the company has total fixed deposit of Rs.195 Crores out of which three deposits of Rs.46 Crores, FD is worth Rs.142 Crores are under lien with banks for credit facilities and FDs given to clients as security deposits amounts to Rs.7 Crores. Work on hand as on December 31, 2020 is Rs.2521 Crores, which comprises of Rs.372 Crores for Surat Diamond Bourse Project and Rs.2149 Crores for other 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. Request the moderator to take it forward. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Shravan Shah from Dolat Capital Markets. Please go ahead.

Shravan Shah:

Thank you, Sir. Firstly, on the order inflow and the bid pipeline, let me get the number exactly, the order inflow till date you said is Rs.220.98 Crores?



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P.S. Patel: Yes.

Shravan Shah: So, now how much more are we expecting in this quarter and in terms of the bid pipeline also if you can explain including the Central Vista with previously we were expecting before March awarding can happen, so that and what are other projects we have already are looking and can come before March?

P.S. Patel: Shravan, first of all I would give the brief detail about the bid pipeline, which we have already bid and we are expecting something to come out as such. There is one residential project in Ahmedabad from a large developing company, which is about Rs.500 Crores, residential township in Gujarat that is from a MNC, which is about Rs.2000 Crores, Medical College and Hospital in UP, seven hospitals for which we have bid, seven hospitals and one affiliated university for which we have bid. Overall there are 12 tenders in UP for Medical College, which is on 83 grounds. There is one mall in Ahmedabad, which is about Rs.200 Crores, which we have already applied for PQ. There is a stadium project in Baroda, which is about Rs.200 Crores, Corporate House of Pharma Company is about Rs.100 Crores and IT Company Hyderabad Rs.850 Crores, which we have been telling since long, which is still on and still it is not concluded, so this is how the total bid pipeline is there. About Central Vista as I already said that because of the conditions of the contracts like ongoing project we are not considering, but still only two tenders have come up. Let us hope something to come after March so probably by that we would be able to get some certificate from Surat Diamond Bourse at least to an extent of working completion or something like that, so then onwards there would not be any problem in terms of principal provision as far as PSP is concerned, but till that project is completed either there are some conditions be changed at the Central Vista CPWD tender or we get some certificate from SDB so that we can bid for those type of project. This is from my side.

Shravan Shah: Sir, just to get the number correct, UP 12 tender hospital, the amount broadly would be?

P.S. Patel: Rs.1300 Crores.

Shravan Shah: Sorry, 1500?

P.S. Patel: Medical College, you are saying?

Shravan Shah: Yes, UP you said 12 tender different hospitals?

P.S. Patel: Yes, the tenders, which we have bid is Rs.1400 Crores.



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- Shravan Shah:** Rs.1400 Crores and mall in Ahmedabad is how much and stadium in Baroda?
- P.S. Patel:** Mall in Ahmedabad is Rs.200 Crores, stadium project in Baroda is Rs.200 Crores and Corporate House for Pharma Company is Rs.100 Crores.
- Shravan Shah:** So, total would be around close to Rs.5000 Crores odd, Rs.4000 Crores to Rs.5000 Crores that we are looking at and our expectation would be, we should be able to get at least Rs.1500 Crores kind of value in the next quarter?
- P.S. Patel:** That is what we target for, which we are trying to reach to Rs.1300 Crores, nearby Rs.1300 Crores even this year and at least we should have an order book inflow of minimum Rs.1500 Crores for which I have been telling for the whole year, so I am still expecting we should reach to that level by next quarter end.
- Shravan Shah:** Sir, to add to that revenue when we are expecting in terms of the Rs.1300 Crores that is a kind of a flattish, last year was Rs.1500 Crores, so Rs.1300 Crores that we are saying okay and Sir, in SDB, last time you said that in October, run rate was Rs.60 odd Crores and we can expect that Rs.55 Crores to Rs.60 odd Crores per month, but this quarter the revenue is only Rs.135 Crores, so some slowdown has happened because now only the high value work should be there, so it should be increasing how come it has declined, so we are looking at a number close Rs.170 Crores to Rs.180 odd Crores odd this quarter and only Rs.135 Crores came?
- P.S. Patel:** Yes, but what was happened that this is mainly due to some of the reasons MEP work because of very worst hike in steel prices some of the materials have been delayed like dusts and all that, but now they get streamlined so some of the works etc., that is why the commissioning of the overall project as I was saying is for MEP may get delayed by one month, so that is the reason that we are not able to complete MEP by March, which I was expecting, so it will go somewhere in the month of April, so that is the only reason, otherwise and secondly is the finishing part because of the finishing part the things are not getting turned out in an efficient way what we expect because the clearing people still we are seeing some shortfalls. Otherwise engaging and all things are going on well. MEP expects material delivery. Everything is going fine and in terms of compound and general infrastructure almost the works are on track. So the only worry is about the external clearing.
- Shravan Shah:** On the margin front, there will not be any issue the same kind of our 12% to 13% margin or we should be able to maintain and lastly on the capex how much have done and what is the



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idea how much have we spent on the precast and how much left to be spent in this year and total including that how much capex for this full year and the next year?

P.S. Patel: We have already said in first day when we thought of going for precast, we have already targeted for an investment of Rs.75 Crores to Rs.80 Crores. I think till now it is Rs.35 Crores. Till now we have spent Rs.35 Crores and by probably the end of May or mid of April or end of May we will be spending this amount, so within the next four or five months we will be utilizing Rs.40 Crores to Rs.50 Crores.

Shravan Shah: And apart from that other capex?

P.S. Patel: As such presently as I said that we are not in requirement of any surplus capex that is we are installing this precast plant because we have a lot of machineries. I think three from Surat projects and some of the projects completed recently, so as such I think we do not require any general machinery for precast or the infrastructure for the construction.

Shravan Shah: Sir, I have couple of questions, I will come in queue. Thank you and all the best.

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

Parikshit Kandpal: Sir, congratulations on decent set of numbers. Sir, when I see a bid pipeline, so largely it has been private for that 12 hospitals in UP where you are targeting about Rs.1400 Crores of bidding that you are doing, so I understand that this SDB project we are not having the certificate right now, but for other projects in government are we not looking at in and around in Gujarat or closer to Gujarat and other government projects and there in the order book or is it that the government ordering has really because we are not seeing any major orders coming in the building segment in these nine months for the other players as well? Is there overall general slowdown in government ordering or that we are not getting for those order?

P.S. Patel: Q3 the last 10 days where we could almost be at par. We could not send through lowest in the Baroda revenue entity. There is an aggressive bidding from large bidders like L&T, Shapoorji and everybody. It is not like that there is no work in the government sector, but we are going a little bit cautious because we are having sufficient order book for at least for the next two quarters, I should be hurrying to the project wherein we compromise in our margin, so that is the strategy, which I am following and we are going a little cautiously and going on a selective projects where we can sustain our margins and sustain our credentials what we have been trying to maintain since last 10 years.



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Parikshit Kandpal: Sir, my only worry is if I see the order book right now, we had about Rs.2500 Crores of order backlog, so SDB this year is targeting Rs.1300 Crores of revenue, SDB would contribute roughly about Rs.450 Crores by the year end, so from the base business actually SDB under this order book, we would be doing close to Rs.800 Crores to Rs.850 Crores of revenue? For next year I am looking like similar kind of topline even for Rs.1600 Crores when you would have expected some growth because of lack of new orders, so between now and may be next three to four months it becomes very crucial for you to bring orders to continue to show that growth momentum even in the next year otherwise we are looking at a degrowth from the current order book, so it that rating quite good?

P.S. Patel: Suppose if tomorrow I get an order of Rs.2000 Crores everything will be solved?

Parikshit Kandpal: Yes, that is what I am saying between now and next three to four months it is very crucial for you to get these orders?

P.S. Patel: That is what we are also initiating, targeting, planning and doing that, but the thing only if we cannot go into any such type of orders where we precede aggressively, so that we compromise on our overall perspective side that is my worry. So probably first worry about the orders and orders will 110% complete in March end and we have sufficient order book to handle for the next two quarters. Even if we are not getting orders till March, we are not going to get impacted in April or May, so that is my take, which I personally feel, we will let us go slowly for the next three months and even if within this three months, I am expecting more than Rs.1000 Crores of order book is not a problem in that, but only thing is entering into any prospects of project wherein we are just aggressively bidding just to maintain our top revenue, I personally feel we should not hurry about the bid pipeline.

Parikshit Kandpal: I totally agree with you, there is no point going aggressive, just on the residential side, last part of the pipeline is on to the order, which you talked about Rs.2000 Crores, so is it for the captive use or like is it the industry MNC or the real estate developers, you can just highlight that?

P.S. Patel: It is an industry. The township we are staying in Gujarat, it is an industrial area, and MNC is going from a township.

Parikshit Kandpal: For the captive use?

P.S. Patel: Yes for the captive use.

Parikshit Kandpal: One last question, so it is good to hear that the precast facility has started getting orders from L&T and other players, so if you could quantify what would be order size and the second thing whether the L&T will be themselves using a facility to manufacture precast there or they will be giving it to you to manufacture for the design?

P.S. Patel: See even bullet train if you really understand there is which is always overflow of railway track, wherein they require large ball, they require dust, they require speed post and the structure has to be come on side, so these are the materials they will but, I think if we consider the total project that will bring the range of Rs.600 Crores to Rs.700 Crores requirement, so themselves cannot handle such a large volume of installing a factory, so probably they will be distributing this approval to two to three suppliers who are, there are two factories in Ahmedabad, one factory near to Mumbai, so probably they will offload this to clusters like us who would be supplying them for the next one-and-a-half years because by that time they have to make that train ready then only they require the Slipper and Dust for installation of cables and noise cable, which has to be installed later.

Parikshit Kandpal: You will be manufacturing it for them the entire part of the manufacture?

P.S. Patel: The installation will be done by them only; we will be supplying.

Parikshit Kandpal: These are similar margins, which you are booking in the company currently?

P.S. Patel: Yes, that margins that we have to calculate and put our cost of depreciation in our plant also, it will be in the similar manner.

Parikshit Kandpal: Great. That is all from side and all the best. Thank you.

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

Chintan Sheth: Thanks for the opportunity and congrats for decent performance despite the pandemic. Sir, couple of things, apart from SDB, which you participate, consolidated, and is in execution, if I look at current project that is also doing very slow given that we last spoke that approval was in process, but that also got delayed to February, so I look at couple of names like also our quarterly execution is around Rs.4 Crores, Rs.5 Crores, Rs.6 Crores around that is very high given the size of the project, so I am trying to understand why are we facing certain slowness in the execution in few of the projects we are currently having?

P.S. Patel: You are asking that there is a problem in execution for these two projects, this is the question?



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- Chintan Sheth:** Yes, given the run rate in terms quarterly execution what I am looking at like current the hedge project Rs.72 Crores odd of executable order is being for a couple of months, so, at the moment between the quarters is happening similar to Pandharpur if we look at?
- P.S. Patel:** SL is the project, which we had been for Pharma revenue well aware about that, which is the Torrent Pharmaceuticals also in housing colony. They are much more cautious about this COVID guideline and to maintain this COVID guidelines first two months of this quarter almost gone in terms of managing the whole infrastructure and presently we can say that work has geared up and came into speed in this last month only, so that is the reason, there is nothing like that we are having and creating any problem related to our own self, but it is just because of the strict distance they follow, which we have to abide by otherwise there is no problem and regarding Bhiwandi what you said, yes, we has been trying a lot and it is really difficult pass to get things approval, but during that period also the DPR has also changed, so that has also dealt for the 15. They were trying to put this project under whole DPR or it should be designed excluding the DPR, which is going on since last 15 days, probably otherwise we could have got completed commission by now, but now I am thinking it should be too much lucrative. They already have a meeting with the Prime Minister.
- Chintan Sheth:** What about the Pandharpur Rs.5 Crores to Rs.6 Crores odd of execution?
- P.S. Patel:** Pandharpur, there is a problem in terms of marketing, they were having some though on January 26, 2021, because of some qualitative reasons they have delayed or postponed the draw, otherwise there have plenty of applications now, so there should not be any problem in terms of selling now because we have started only fourth tiles, and out of the fourth tile, the earning to generate this much revenue it is what project demand for, but otherwise we cannot have more revenue in such a small scope of work, so we will be going on track, only worry about the project we can see is it will be a little part, which has already been improved, they received almost more than 700 applications and they having a draw on January 26, so due to some political reasons there in Pandharpur they postponed it today and probably it will continue what we are thinking about and now there should be any problem on that part.
- Chintan Sheth:** Right and in the US subsidiary, you mentioned that till March and April will get rolled out, any additional capital declared from that project, from PSP Projects in where to you are considering?
- P.S. Patel:** Yes, it will be required somewhere that what I have been saying that that some money required at the stage of signing the documents so there will be some fees, which we have to

send it from here, but I am expecting that to be more than Rs.4 Crores to Rs.5 Crores as of now, that is what I know about the project.

Chintan Sheth: Right and lastly, in terms of this Rs.2.7 Crores recent impairment, impairment loss we have booked that is all is required and the balance equity, which we acquired whether it will be closing the subsidiary or moving it with USA or how are we going with them?

P.S. Patel: Company was created just for the project World Trade Centre, which are going to come in and around Gujarat, so this company was created by the developer himself, he is taking a different company is 24% margin, where they were having a talk of one making free one was in Bhopal, one was in Ahmedabad, the third was in Jaipur, but as of now because of their own financial crisis, they may not move for such a project, by this our 96% we have purchased that company and now we are going to see if there is any project coming up or we can close this company in the later stage, but to settle the account we have purchased the company, there is no surplus project going to come in later.

Chintan Sheth: There will any additional impairment pending on that part?

P.S. Patel: No, it has now already done and it is closed.

Chintan Sheth: Thanks. That is all from my end. I will get back in queue if I have any question.

Moderator: Thank you. The next question is from the line of Vijay Kumar from Spark Capital. Please go ahead.

Vijay Kumar: Good evening, Sir. My first question is on the residential real estate business of ours, so the order book split that we have right now tells about 33% from government residential project, so that will be your Bhiwandi project, right, primarily?

P.S. Patel: Yes.

Vijay Kumar: So, apart from this the residential has another subsegment says 4%, so total residential is about 37%, so any plan to increase our exposure to residential real estate going forward given now there seems to be some positive momentum for the overall real estate industry?

P.S. Patel: See, we plan about that things that what we would be the share of our things in this, I hope residential in government sector or private sector, it depends on the opportunity, as I had already declared in my book that we had already bided for one large developing company, which is about 500 Crores in Ahmedabad, so such types of opportunity wherever we get we will enter into get through, otherwise there is no strategy within the company to have a

order book being split into this many percent is government residential and this many percentage for private residential.

Vijay Kumar: But, do you see increased interest opportunity on the ground?

P.S. Patel: Yes, we can say that real estate for the two months, there is little bit movement in developing sector in residential sector in Ahmedabad also, so probably there are going to be a good opportunity that residential sector in private also, so that is there, but as of now we have not planned of anything where we will be ready, but the things are now overall opportunities, which we are getting and developer is, so we will be little bit lesser in private sector.

Vijay Kumar: You also mentioned in your opening remarks that you expected certain amount of inflow by December, which now got postponed, so what is this order?

P.S. Patel: There were two projects, which we bid for, one was Railway University at Baroda wherein Shapoorji put the lowest, and there was huge margin difference of 4.5% against us, so they bid a little bit aggressively and that was the hope, which we were expecting that we should get this order.

Vijay Kumar: So, we are hoping that we will get this order?

P.S. Patel: No, we are not hoping that this should order come, that is what we were planning to and hoping...

Vijay Kumar: Now with Shapoorji has out bid.

P.S. Patel: They have already got that order, but outlook is Rs.5000 Crores whatever things which we can turnout as an order to an extent of Rs.1000 Crores plus, which we are trying for the next 3 months?

Vijay Kumar: Coming to the subsidiaries that we have, so if I look at our balance sheet numbers March 2020, so we have given about Rs.28 Crores to PSP Projects, which is the subsidiary, which has the projects in USA, so to that number remains the same even now, the amount of advances you have given to that subsidiary or is it different?

Hetal Patel: It has reduced to 25 per year.

Vijay Kumar: So, when are we expecting this money back?



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- Hetal Patel:** Now, that much investment will be required in their company and for other project, which will be carrying out, approval starts to.
- Vijay Kumar:** How much will it be required?
- Hetal Patel:** This will be kept as investment over there only because land has already been acquired and the project is under approval from government also ready.
- Vijay Kumar:** I am asking how much investment is required from our PSP side.
- P.S. Patel:** Further we are not doing any investment like that some of fees, which really be in the range of Rs.4 Crores to Rs.5 Crores, so overall the project has to be in the range of \$25 million, so once we are with the permission and through with the fess, which we have to pay before the start of the construction, construction loan we are going to get from bank, so that is not requirement, but till we reach to the bank for construction loan all the fees and approval has to be on hand and for that approvals we may require further increase on Rs.4 Crores to Rs.5 Crores from beyond whatever we had invested.
- Vijay Kumar:** This JV we had for this WTC project where we have now increased our state to 100% from 74%, so there are we foreseeing any loan advances or money is going to that subsidiary?
- P.S. Patel:** No, that company was created only for this WTC project and within that project is closed and since we were having a major step we have purchased the company, so let around we may close that company also, there is no point in going for running that company separately against PSP, if we have a separate identity then there has to be a separate reason for that, so probably for that company we are not having future plans on that company, but just we bought because we are having 76%.
- Vijay Kumar:** Finally on our experience with the clients especially from payments point of view, so yes, you talked about receivable days and all that, but are you seeing any slow down in payments from any specific client, how are it right now?
- P.S. Patel:** No, there is no such cases, only one payment, which has been prolonged since long is Pandharpur, which was the salability of the flat, they are not able to clear, so that is the only payment, which has been delayed since last two-and-a-half months, otherwise all the following payments are on time.
- Vijay Kumar:** Which is this client, Sir?

- P.S. Patel:** Pandharpur, Pradhan Mantri Awas Yojana because that is based on the salability of member since they have initiated late, the application and the built out process so largely they are having drawn January 26, 2021, it has been delayed to an access, but that was the only project, which has been not fitted on time, because the corporation was not having money as the members who are not on board.
- Vijay Kumar:** So, how is our interest cost now because the interest cost across have come down, so what will be the interest cost now on our working capital loans and all?
- Hetal Patel:** You can just make out from the finance cost itself, before we have not reduced the utilization, but the cost has decreased so on an average 1% to 1.5% interest rate has been reduced, so from earlier it was like 8.25%, 8.3%, so now it is 7% to 7.25%.
- Vijay Kumar:** And the bank guarantee commission the LCBG charges they have all also been reduced?
- Hetal Patel:** No specific reduction in that, only interest cost has been reduced.
- Vijay Kumar:** I think I will join back in the queue. Thanks for answering my questions and all the best \, a Madam.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Thank you, Sir to give the opportunity. Sir, my point that EBITDA and profit after tax margin are all time low in this quarter, so when it may grow and up to what level we can reach?
- P.S. Patel:** See, if you to the total results of this three quarters, we stayed that because of COVID there were huge excess on the side of putting traveling expense for the labors to come that was about Rs.1 Crores, 2 Crores there is a provision of CSR and that is Rs.2.75 Crores in payment of this PSP Projects Limited, so if you put all these three figures 5.75 into 390 it is almost 1.47%, so that puts to our original PAT, which was within the range of 8.5%, actually if you see, it is not reduced to a larger extent, it is just the because of the interest of CSR project approval, major expenses to get the labor by luxury that was Rs.1 Crores and Rs.2.75 Crores is the provision, which was made for the impairment of the PSP Projects.
- Ravi Naredi:** Sir, second out of Rs.2500 Crores order book, we are having, can you tell how much amount project we still have to start work?



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- P.S. Patel:** I have already told you that these 2 projects, one is Bhiwandi, which is about Rs.575 Crores and second project is about Rs.100 Crores Sabha Hall.
- Ravi Naredi:** So, Rs.675 Crores order is still not worked, right?
- P.S. Patel:** Yes, that out of that Rs.575 Crores will be starting March.
- Ravi Naredi:** That is sure, Rs.575 Crores, we are starting?
- P.S. Patel:** That is now 100%.
- Ravi Naredi:** Thank you very much, Sir.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Thank you. Sir, just couple of questions, one could you give the level of debt as of December, what is the absolute gross debt?
- Hetal Patel:** Yes, we have utilized around Rs.90 Crores of bank facility and that includes Rs.45 Crores of SPV.
- Ashish Shah:** This includes everything, right; I mean the equipment and everything?
- Hetal Patel:** Equipment loan is around Rs.4 Crores to Rs.5 Crores only, so that is separate, long-term loan is different; it will be around 10125 Crores.
- Ashish Shah:** Sure, secondly are we seeing any negative impact on margins because of the increase in the steel or the cement prices or the diesel prices, and we expect any impact going forward?
- P.S. Patel:** Yes, major the project is passed through I think we are not contemplating that the problem in terms of pricing because of cement and steel, but yes, the project, which we are having from the government side does not tell that it can be a pass through so yes there can be some intake at Varanasi and Pandharpur, where some of the projects are pass through.
- Ashish Shah:** It that passthrough by way of some indexation then in which case you..?
- P.S. Patel:** You mean private sector it is on SPV, whatever differences you are having against the average purchase April 1, so it takes fully.



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- Ashish Shah:** So, basically there are only two projects, in which you are saying that there could be an impact because of not 100% passthrough?
- P.S. Patel:** Yes, and luckily we have a plenty of stock at Varanasi at the Bhiwandi state, so that also we are not being impacted much at Varanasi but both the projects were having stock because of COVID also at Mandya there was a huge stock, that is how we carried some stock that were carried out from Bhiwandi, there is no major impact that too, but yes, pricing has gone about more than 40% high.
- Ashish Shah:** So, you said Varanasi and Pandharpur?
- P.S. Patel:** Yes.
- Ashish Shah:** Also starting this quarter, have you seen some sort of reduction in the prices from the peak level that you saw in December or there are in the similar level that you saw in December for both steel and cement?
- P.S. Patel:** I cannot get your question.
- Ashish Shah:** No, I am saying, Sir, in January, as we speak have you seen any reduction from the levels, which you saw in December?
- P.S. Patel:** No it has not reduced, but it must be ranging at the same level from December to January and now the government is also catered with this question because it has been impacted to a larger extent on most of the government project, so probably some vision has to come before this project or there has to be some control on this manufacturer of cement and steel or maybe some control on export side, otherwise we feel impacted to a larger extent on the government project the company like us.
- Ashish Shah:** Sure, that is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.
- Dhiral Shah:** Good afternoon, Sir, and thanks for the opportunity. I have couple of questions, any unbilled revenue in this quarter, which you have booked?
- Hetal Patel:** Yes, we have booked Rs.98 Crores of unbilled revenue out of Rs.390 Crores, Rs.98 Crores is unbilled revenue, so compared to March, March it was Rs.115 Crores, so that is reduced.



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- Dhiral Shah:** And this is for which project, SDB?
- Hetal Patel:** No, it is for multiple projects for all majority of the projects, we have booked un-billed revenue and it will mainly include such invoices, which are not being certified by the client, but we have already completed the work, so this can be treated as like uncertified bill.
- Dhiral Shah:** Madam, in our Rs.5000 Crores bid pipeline, we have not bid for any Central Vista project, is there any project, which they have announced?
- P.S. Patel:** Till now there are two projects only, one was Parliament which went to Tata, second was Central Vista, which went Shapoorji. These are the only two projects, which have been announced till now and as we had said that we may not be at the different conditions of prequalification comes in the next project, as they are not considering our Surat as ongoing project are not considered as a credential, so as of now we are not considering Central Vista till the criteria has revised, that is the project of Rs.1500 Crores.
- Dhiral Shah:** Sir, with this increase in the steel and cement prices, do we see that it has an impact on order announcement because the cement as well as the steel prices have gone up almost 30% to 40%, so may be future projects can get delayed or order can get delayed announcement?
- P.S. Patel:** It can be criteria for some of the private projects, some of the companies are planning to start the project immediately, they may be postponed by one or one-and-a-half month just because of those pricing, but this cannot impact on government project things announced or not given order just because of the price incremental.
- Dhiral Shah:** No, why I am asking this because we are confident of gaining Rs.1000 Crores of order this quarter, right?
- P.S. Patel:** Yes.
- Dhiral Shah:** And because of may be steel and cement prices and other raw material have gone up, still we are confident we can get this orders right, because majority of our orders maybe from the private sector only that why?
- P.S. Patel:** Yes, I have already said that all the private projects we usually carry at this rate, so there would not be any impact on us for bidding for this, between the projects that cannot be that impact of because of the rise of the cement and steel we are bidding, but for government project, yes, we have to be careful while quoting and we have to consider the prices, which is going in the market even because does not carry any phase rate of parcel.



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- Dhiral Shah:** Sir, lastly for the next year, what kind of revenue we are targeting, this year we may end at around Rs.1300 Crores, so next year what is the target that we are looking for?
- P.S. Patel:** Usually, we generally think about 20% to 25%.
- Dhiral Shah:** So, we can deliver that kind of a number, right?
- P.S. Patel:** Yes.
- Dhiral Shah:** Okay, 12% to 13% EBITDA margin?
- P.S. Patel:** Yes.
- Dhiral Shah:** Thank you so much, Sir.
- Moderator:** Thank you very much. The next question is from the line of Rachit Kamath from Anand Rathi Share & Stockbrokers. Please go ahead. The current participant has left the question queue; we will move to the next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Just one question, what is the total receivable as of December?
- Hetal Patel:** Receivable amount is Rs.223 Crores.
- Parikshit Kandpal:** And the unbilled is about Rs.98 Crores is un-billed?
- Hetal Patel:** Yes, right.
- Parikshit Kandpal:** Out of this, SDB will be how much?
- Hetal Patel:** SDB is almost nil because it will be around Rs.15 Crores. I hope cement was already received in December.
- Parikshit Kandpal:** So, nothing is major in that?
- P.S. Patel:** Spending amount of certified value is pending that is about 15 Crores.
- Parikshit Kandpal:** How much, Sir?
- Hetal Patel:** Rs.15 Crores to Rs.20 Crores that is amount is receivable from SDB.



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- Parikshit Kandpal:** Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Ashish Rampuria an Individual Investor. Please go ahead.
- Ashish Rampuria:** Thanks for taking my question. Sir, two questions, number one, I think we saw 8% degrowth on a Y-on-Y comparison this quarter, right, so was this largely driven by left over impact of COVID or was it because of delay in some projects?
- P.S. Patel:** It is largely because of COVID, because regaining the whole business and again, we are maintaining the government guidelines, that hence give an impact of this differentiate revenue, otherwise I do not think any project being getting delayed by their own, which is majorly because of the COVID.
- Ashish Rampuria:** Just taking from there, the government guidelines continue and the way things are it will continue may be another 6, 9, 12 months, so should we expect that because of the maintaining guidelines the run rate of work delivered will be relatively slower, so would should we expect that?
- P.S. Patel:** For an individual project we can say it can have an impact on overall output as the people and product duty, it will depend on how many numbers of project you are carrying, so usually a product duty can get reduced, but overall things will be more or less not impacted to a larger extent.
- Ashish Rampuria:** Understood, beside the lower productivity maybe at a unit level, I market just back to the other question I asked, we can still deliver 20% to 25% growth in FY2020 despite that?
- P.S. Patel:** Yes.
- Ashish Rampuria:** Got it. Understood, so anything maybe without any hinges on productivity this could have been had 5%, 10%, 15%, got it, second question on the EBITDA margin, which I think somebody else also asked, I think even in the investor presentation somewhere the dip what we had 3 to 4 years ago was around 15% and falling to 14%, 13% and now 12% right, you explained that this 12% could have been higher by this 1.47%, so just going from a normal basis, what should be the EBITDA margin that one could expect the company to deliver in power?
- P.S. Patel:** We helping and telling the people in every analyst call we are always there that EBITDA margin will be somewhere in the range between 11% and 13% so still we are trying to maintain that margin also 14% to 15% was an exceptional case when we started because of

the revenue getting without cement and steel, but later on it has stabilized between 12% and 13%.

Ashish Rampuria: So, 11% and 13% what sort of when we do that, when we bid for a project I am assuming 11% to 13% is EBITDA margin then what sort of IRR do we target when we budget?

Hetal Patel: Put it like minimum 25% gross margin we need to get.

P.S. Patel: Cost plus 25% or cost plus 22% or cost plus 27% depending on the concerned conditions of the contract, so closing private project this all water and power is in our scope or water and power is in client's scope there are such type of conditions, which impact the overall cost of the project, we decide upon on that over ahead seeing the cost and then only we bid for the project that ranges between the cost of 70% to 75%.

Ashish Rampuria: This leads to what sort of IRR in terms of is it 18% to 20% or is it 15%, 16%, 20% or 25% that is a broad base?

Hetal Patel: We are not analyzing this project based in IRR mainly it is like gross margin we are fixing by bidding any project and the EBITDA level and that is what we are looking at.

Ashish Rampuria: Got it. Thank you.

Moderator: Thank you. The next question is from the line of Rachit Kamath from Anand Rathi Share & Stockbrokers. Please go ahead.

Rachit Kamath: Good evening Sir and thank you for giving this opportunity. Sir, I had one question was pertaining to the fact that just to keeping our target on 1300 Crores for the whole year, at any case that we are looking for revenues in the range of around 560 Crores odd, so just wanted to understand, which would be the main contributing projects that we are looking at and some quantum that you look?

P.S. Patel: The main contributing projects we are well aware that mainly SDB and Varanasi and it is IAM projects, all these projects, IAM, first phase is also getting completed and I think Bharuch is one of the project, which we have just completed so we will come there and Maruti Suzuki also that project even in the completion so that will give the major revenue project, lastly again, getting completed more or less by March 90% getting completed, finished mall mostly the structure work is getting completed, so these are the larger projects, which will be getting revenue and some of the major revenue also that is from a project we are making at Jamnagar.



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- Rachit Kamath:** The Reliance work is the one that we are doing for the precast work?
- P.S. Patel:** No, Reliance that we are doing may be civil work for a zoo; it is a rehabilitation centre for animals, which we are doing for them.
- Rachit Kamath:** Sure, so basically we are kind of sure we will be able to obtain Rs.300 Crores of improvement is that understanding correct?
- P.S. Patel:** It will be somewhere in the range of 1200 to 1300, I am not saying that will be Rs.1300 Crores, it will be in the range of Rs.1200 Crores.
- Rachit Kamath:** Sure, I got it. Sir, second question was to Hetal Patel, Madam, you had indicated that last quarter we had almost Rs.2.1 Crores number that we have to book for the investment that we gave to the US and had done 71 lakhs last quarter, so did we do the same 71 lakhs this quarter again?
- Hetal Patel:** Yes, other expenses include that effect also, so even in March quarter also that 71 lakhs impact will come, so three quarters we had spread that impact.
- Rachit Kamath:** So, basically this quarter is a kind of pressure for corporate CSR for 2 Crores, 1 Crore for something that is perfect and 70 Crores odd for this?
- Hetal Patel:** Yes, that is for INC company and there is 2.74, EBITDA will not be affected in that 2.74.
- Rachit Kamath:** Sure, Madam, what is the model of this number that we have as of now on the books, I think I got dropped from the call?
- Hetal Patel:** Sorry, which number you are asking for?
- Rachit Kamath:** Mobilization advances?
- Hetal Patel:** Mobilization advance will range between around 100 Crores and 115 Crores.
- Rachit Kamath:** And what is the more amounts that we can draw now?
- Hetal Patel:** Loan amount you mean to say?
- Rachit Kamath:** How much more mobilization loss can we draw?



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Hetal Patel: See, it will depend on the new projects, which we are getting on which up now what were new project we have taken, so that mobilization we have received.

P.S. Patel: It depends on project to project; it may vary from 5% to 10% in private sector and project in government sector that there would not be any mobilization advance, so it depends on project to project consenting.

Rachit Kamath: Sure, Sir, I get that. Actually, my last question pertains to this concept, we are looking 1000 Crores inflows in this last quarter, I just wanted to get some sense in terms of your fund base and non-fund base limits and what is the utilized percentage and how much more amount we have left because we have to submit our guarantee on banks and as such just to understand that?

Hetal Patel: Could not get your question, you mean to say?

P.S. Patel: You meant what is the bank guarantee is required for this project?

Rachit Kamath: Yes, so basically just I want to understand what is the total fund base and non-fund base limits that are available to us as of now, which will go ahead and bid our projects?

P.S. Patel: I think we have 60.

Hetal Patel: Currently, we have not tied up, our talks are going on with banks and all, we will need to tie up the consumptions document, but as of now 610 Crores is the total limit and out of which balance available deposit is 236 Crores.

P.S. Patel: And for government, now it has been reduced to 3%, which was originally 10%.

Hetal Patel: What has happened, a few major clients like IIM, MRF they have agreed to reduce the bank performance guarantee up to 3% and even lower than that, the new project also they are reducing the requirement of their performance bank guarantee.

Rachit Kamath: So, that in line with the government guidelines that are passed. So for these two projects what would be the non-fund base limits that are free?

Hetal Patel: Non-fund base limits are around 450 Crores.

Rachit Kamath: And out of this how much of it would be due now?

P.S. Patel: Totally 660 Crores out of that.



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- Hetal Patel:** Yes, 236 Crores is free and that is the whole amount we can utilize for bank guarantee, it is like convertible limits.
- Rachit Kamath:** Sure, it got it. Thank you for answering my question.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** Sir, just two things wanted to understand on this precast plant, what kind of turnover we can achieve on an annual basis?
- P.S. Patel:** Actually what the projection, which we did, this as to run out to be 100% was through we for 5 years, but presently I am thinking that we should be able to generate minimum 50 Crores to 80 Crores of revenue every year?
- Amber Singhania:** 50 Crores to 80 Crores with the similar kind of margins?
- P.S. Patel:** Yes.
- Amber Singhania:** Secondly, with the starting of this Bhiwandi project by February and March, would we be booking any revenue in this year or mostly still go in the next year Q1?
- P.S. Patel:** Obviously, it will go in next year only because we have already mobilized for Bhiwandi project, but even if I start in the month of mid of February or end of February will be only a portion wherein we will be doing for that, so I think the major revenue will start in the first month of September.
- Amber Singhania:** And what kind of run rate we can on a quarterly basis for next year from these projects?
- P.S. Patel:** That we will be able to workout once we have start out the project then depending on the overall planning what we do and whatever the resources we are trying to gather for the whole project and what will be, however, this is already delayed, which will come out with the final planning once we start up the project.
- Amber Singhania:** Fine, Sir, just one last question from my side on a macro basis, are we seeing any delay in payment by the government we can see not only for our project, but any other projects also in the industry and all, what kind of feedback you are getting from the government projects?
- P.S. Patel:** The projects which we are doing, there are majorly 2 project, IAM, we are not facing any problem in construction, in terms of payment, the second project, we are not getting any



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problem, the only problem, which we have is for Bhandarpur, wherein the reason is has to come from the salability of the flat from the poor people that the whole process of this marketing and getting the application got delayed and that is the only payment, which has got delayed, as the result the government we are getting have sometime.

Amber Singhania: On the Central Vista site, I understand that we will be able to bid only once we get the certain fits on the CV side, but overall within the Central Vista, what kind of packages are there, which are yet to be bided out and what is the timeline you can expect?

P.S. Patel: Overall announcement was somewhere in the range of 1400 Crores to 1500 Crores that to be done in Central Vista total, out of which 850 Crores and 510 Crores, I think is about 1300 Crores or 1400 Crores of order, which has been announced till now, I think plenty of work has to come, but we are not clear about when it will be before March or some of the projects will go up after March, yet we are not clear.

Amber Singhania: Fine, that is all from my side. Thank you.

P.S. Patel: I think we are over with the timeline also.

Amber Singhania: Yes, we are closing.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we will take that as a last question. I would now hand the conference over to Mr. Amber Singhania for closing comments.

Amber Singhania: Thank you Lizaan. On behalf of Asian Market Securities, I would like to thank everyone for joining this call and special thanks to the management for sharing their insight and giving us the opportunity to host this call. We now conclude this call. Sir, would you like to add any closing remarks from your side.

P.S. Patel: Thanks to all of you and thanks to Mr. Amber having this call for PSP. Thanks everyone.

Moderator: Thank you. Ladies and gentlemen, on behalf of Asian Market Securities Private Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.