



“PSP Projects Limited Q4 FY2018
Earnings Conference Call”

May 10, 2018



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Moderator: Ladies and gentlemen, good day and welcome to the PSP Projects 4Q FY2018 Earning Conference Call hosted by Ambit Capital. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Utsav Mehta from Ambit Capital. Thank you and over to you Sir!

Utsav Mehta: Good afternoon. We are happy to host the management of PSP Projects. On the call, we have the Managing Director, Mr. P.S. Patel and the CFO, Mrs. Hetal Patel today. We will start with a brief address by the management and then have some Q&As. So over to you Sir!

P.S. Patel: This is P.S. Patel, good evening ladies and gentlemen, Chairman and Managing Director and CEO in PSP Projects Limited. I welcome you all on this earning conference call, which is focusing on our performance in FY2018. Before we move to the financial statistics and performance of last quarter in financials I would like to throw some light on few of the key developments of this quarter.

As I have been saying usually in our industry revenue from operation in fourth quarter is always effective compared to rest of the three quarters. The same scenario has been maintained this year also. Our revenue from operation of Q4 FY2018 is 263.68 Crores, which was 161.65 Crores in Q4 FY2017. This is an increment of 63% overall.

Also if you all remember this year the Holi was falling in the first week of March, actually Holi comes in the second or third week of March, because of these Holi vacations and all that our March production was not so that much because of the festival. The year could have been much more better than that if the Holi could have been in the second or third week.

As communicated previously after getting Surat Diamond Bourse project last quarter, our focus for next six to eight months would be more towards aligning and settling the work on hand especially Surat Diamond Bourse and would go defensively towards getting into new projects as the work in hand will be worth more than 2500 Crores, which is used to be around 700 Crores earlier. So in this quarter, we are awarded with project worth Rs.87.33 Crores, which includes major projects like medical college and hospital at Bhavnagar and college building in Ahmedabad in University.

We are glad to receive a repeat order to construct hospital and institutional buildings there we see we are specialize at. So combining all quarters, total orders received in FY2018 is 2541.63 and after having clearance awarded orders with new projects and deducting book given from the current ongoing project, company’s outstanding order book as on March 31, 2018 is 2559 Crores including 34 major projects under execution spreading Gujarat, Rajasthan and Karnataka. I believe this amount was 7.29 Crores at the end of FY2017. We are honored that our two completed projects



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Icreate and BJP headquarter was inaugurated by Honourable Prime Minister during last quarter and Gujarat Vidhan Sabha renovation project was inaugurated by Honourable Chief Minister of Gujarat in presence of our state ministers and bureaucrats of Gujarat.

Number of total projects completed by PSP project has reached to 99. Company's available ticket size of receipt of projects however is shoot up to 110.51 Crores compared to 8.54 Crores in 2012-2013. So this is a tremendous growth, which we feel that within this short period of five years we could have commissioned 54 ticket size we have reached to 110.51 Crores ticket size approach. So these were the key highlights from my side. For detailed financial disclosures, I will request our CFO, Mrs. Hetal Patel to take it forward. Thank you everyone and to be a part of this call.

Hetal Patel:

Thank you Sir. Good afternoon everyone and welcome on the call. Let me first brief you the standalone financial highlights for the fourth quarter ended on March 31, 2018. Company has achieved revenue from operations of Rs.263.67 Crores for Q4, which has increased on Y-o-Y basis by 63% compared to previous year's fourth quarter revenue of Rs.161.65 Crores. Revenues from this quarter comprises of contract revenue of Rs.59 Crores from Surat Diamond Bourse Project.

EBITDA for Q4 is Rs.36.28 Crores, which has gone up on a Y-o-Y basis by 9% as compared to previous year's Q4 EBITDA of Rs.33.41 Crores. The EBITDA margin stands at around 13.76% for this quarter, which was around 20.67% in fourth quarter of the previous year. The EBITDA margin for fourth quarter of previous year was exceptionally high due to execution of project without major raw materials like cement and steel whereas in Q4 FY2018 the proportion of such projects was very insignificant.

Profit after tax for the quarter is Rs.23.03 Crores, which has increased at Y-o-Y basis by 14%, which was Rs.20.15 Crores in fourth quarter of previous year. If we analyze quarter-to-quarter numbers, the revenue from operation was Rs.170.79 Crores for third quarter FY2018, which has increased to Rs.263.67 Crores in Q4. Profit after tax has increased by 52% as compared to Q3 FY2018 while PAT margin has marginally reduced from 8.73 to 8.64. If we go through the work on hand data, the total value of work on hand of Rs.2559 Crores as on March 31, 2018, which comprises Rs.15.16 Crores from Surat Diamond Bourse project and 1043 Crores for other projects. This comprises of 54.71% from institutional projects, 18.50% from industrial projects, 19.97% from government projects, 4.23% from residential projects and 2.58% from government residential projects.

The outstanding order book excluding SDB of Rs.1043 Crores is distributed over three regions in which 78.75% within Gujarat, 11.43% will be executed in Karnataka and 9.83% of work on hand to be executed in Rajasthan. Giving all of you a brief of about utilization of IPO money up to March 2018 the company raised Rs.151 Crores from primary issue and out of which Rs.63 Crores were planned to use for working capital and 26 Crores for general corporate purposes, which has already been utilized by end of Q4.



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Out of funds allocated for capex of Rs.52 Crores, we have utilized approximately Rs.41 Crores for purchase of machineries and shuttering material and balance 11 Crores we plan to use in the first quarter of FY2019. With this I end up on giving key highlights on the company's financial performance and now we are open for the question and answers. We request the moderator to take it forward.

Moderator: Thank you very much. Ladies and gentlemen we will now begin with the question and answer session. We take the first question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congrats on good set of numbers. Sir I wanted to know what is the current billing in SDB and what will be the payments outstanding as of 4Q end?

P.S. Patel: SDB as you must be knowing that we have already received mobilization advance of 98 Crores including tax that was 78 excluding GST. The first bill we treated before March was Rs.53 Crores, which has been fully paid and the second bill, which we have raised for the month of April, which is already 30 cr and we are expecting payment in a day or two and probably the payment discount, which we have been receiving from Diamond Bourse is going on very well.

Parikshit Kandpal: So what will be the outstanding as of now in terms of debtors in this project?

P.S. Patel: As far as SDB is concerned?

Parikshit Kandpal: Yes.

P.S. Patel: It is 23 Crores the bill, which I placed on April 25, 2018 that is what I am saying is outstanding, if you are talking me about March that is nil.

Parikshit Kandpal: April it is 23 you said?

P.S. Patel: yes.

Parikshit Kandpal: Second question is Sir I mean you have been saying that six to eight months I mean there has been a consolidation going on within the company for executing this project, so what kind of order inflows you are targeting for this year and if you can also give like geographically I mean you have highlighted earlier that APs all the regions you are looking at, so whether we will be making any breakthrough there in that region in this year?

P.S. Patel: Sir actually, total tendering, which we have done till today is about 2000 plus Crores and we are expecting some of the orders to come within this month of May or by May end. So in overall now if we usually consider that SDB is PSP 2, so the business, which my company was doing is PSP 1, so we are going to expect about 1000 Crores plus order within this whole year, which means that



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every quarter we should have at least 200 to 250 Crores of order inflow, which means suffice my present resources, which we are doing except diamond bourse.

Parikshit Kandpal: Lastly this 2000 Crores if you can split into number of projects and also how much is the amount outside Gujarat?

P.S. Patel: There is one large project out of Gujarat, which is more than 1000 Crores, which we have already bid, it is a long process because DOQs are coming in phases, we have bid for only the structure and the architectural finishes, DOQ has to come, though it will take further one or two months before they finalize, so this bidding, which we have done out of Gujarat. Rest of all the projects are within Gujarat, which includes two or three major developers in Ahmedabad and two or three industrial projects, one in Mumbai and one in Bhavnagar.

Parikshit Kandpal: Sir this 1000 Crores is you are having a PQ of 1000 now because what I understand was that?

P.S. Patel: See there are two things, when we talk about private sector, the prequalifying criteria are not as such predefined, and we were knowing that my bidding capacity was 500 Crores when we come to IPO and we got this order of 1858 Crores, but once we complete this 1858 Crores project after two-and-a-half years or may be after three years we would be in position to be for all projects, which are more than 2000 Crores, but as of now when we talk about private companies they just understand the capability and the performance, which we have done till now and to give us opportunity of bidding and after getting these large project of 1858 Crores they have already visited the site and then only they have taken a call to allow us to bid for project.

Parikshit Kandpal: Just lastly I can squeeze in, this 1000 Crores project is I mean what is the kind of the project and where is the location if you can just tell us?

P.S. Patel: It is in south I would not name the city as of now, it is in south and it is a commercial project.

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

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

Ravi Naredi: Are the Surat projects are running in time?

P.S. Patel: Yes, perfectly we are going on time, no problem with that project, but now the things have moved and when we are already pouring 1000 cubic metre of concrete everyday.

Ravi Naredi: This foundation will be complete before rain starts in June?

P.S. Patel: I think we are expecting 90 to 95% foundation work will be completed. Almost all works of the basement has been completed, but some of the blocking design we have received just before two



days, so probably I can expect 90% to 95% foundation and the remaining work for the first basement will be over. There would not be any issue related to monsoon as far as this project is concerned.

Ravi Naredi: In this report you have mentioned there was six inflection points in 2017, will we hog similar number in 2018 too Sir?

P.S. Patel: I am not getting with your question.

Ravi Naredi: Sir in your report today you have mentioned six inflection points, the similar number we expect from in 2018 too?

P.S. Patel: Which number, topline number or the bottomline number?

Ravi Naredi: This is a phase number I think this you have mentioned in your report inflection point in our journey 2017 you have mentioned six projects different, different time one in May, one in June, May, again June, July, October, so similar number we can expect in 2018 to?

P.S. Patel: It is not necessary that we expect the same what we have got till now, but as I told you that if we considering this 1800 Crores projects on hand and still we will be targeting at least 1000 Crores order the order book has to be added this year, so that is one more project in India for 2018 and we yet achieved.

Ravi Naredi: Thank you Sir.

Moderator: Thank you. We take the next question from the line of Vishwas from Edelweiss. Please go ahead.

Vishwas: Good evening Sir and congratulations on the number. Sir just one question on subcontracting cost, the averages of the subcontracting cost was around 13% to 14% of the revenue, but in Q3 it was around 18% and 23% in Q4, so I just wanted to understand the reason for the same?

P.S. Patel: There are so many reasons, when we talk about profit margins or the EBITDA margins in different, different quarters because it depends on what type of work is going on and what type of work was carried out in that quarter. So if you say last quarter then orders, which you are considering in 2017 you are comparing that quarter?

Vishwas: No Sir, Q1 and Q2 in FY2018?

P.S. Patel: Yes that depends on sometimes the projects are on the initial stage and sometimes the projects are on the final stage and after sometimes the projects type is interior then that revenue becomes differ. So basic structure profit and basic interior or basic finishing part of the project that margin may change before ending of the quarter.



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- Vishwas:** Sir how much of that subcontracting cost will be related to Surat Diamond Bourse?
- P.S. Patel:** How much of that?
- Vishwas:** How much of the subcontracting cost in Q4 FY2018 will be related to Surat Diamond Bourse?
- P.S. Patel:** Actually we are not subcontracting.
- Hetal Patel:** It will be actually very less because we are just beginning this Q4 billing was mostly for excavation and basement work, so those are all civil work, so mostly not much subcontracting during this Q4.
- Vishwas:** Thank you so much and just one more question related to the inventory days like in 2016-2017 the inventory days was around 8 days or 5 days in 2017 and it has made a triple in 2018 to around 16 days, so is it related to Surat Diamond Bourse or we have some other reasons also?
- Hetal Patel:** Yes. Majority of inventory is for Surat Diamond Bourse and that is mostly steel and cement we have filed it for the basement and excavation work.
- Vishwas:** Thank you so much and then congratulations again for the numbers.
- Moderator:** Thank you. We take the next question from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Congratulations on a very good set of numbers. Sir firstly, debt has declined this year in FY2018, but interest expenses have gone up significantly, reason for this thing?
- Hetal Patel:** See actually debt has declined during the second half of the quarter and this interest cost will be on FD OD, but at the same time there will be interest income also on such SB, which we have placed with banks, so there is not much difference if you make it.
- Ankita Shah:** But overall net finance cost as a percentage of gross debt is almost 819 odd percent, which is very high. So probably is it because of the new project that we have bid for, so that is the reason and how is it likely to shape up going forward, if you can give me some colour on how the debt is likely to move from here on?
- Hetal Patel:** See debt will be mostly comprising of the utilization of FD OD and not CC limits because we will be now using SB OD to an extent as and when required, so if you see the SB OD has decreased as on March 31, 2018 because in March itself we have refilled that SB OD and for January and February okay we have sent for interest cost, but in March since we were receiving some of the funds from Diamond Bourse also, so we have refilled to those SB OD and it has resulted in lower or mid side on the benefit date.



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- Ankita Shah:** Okay but my question was more on forward looking in terms of how debt is likely to shapeup going forward?
- P.S. Patel:** It is not going to shapeup at any point of time, since we are probably using SB OD we are not going to utilize it CC or book that, I do not think the debt level will go up.
- Ankita Shah:** Got it and Sir secondly on revenue growth and margin projections, will it be continued to be in 13% kind of range or is it expected to normalize at 12% to 12.5%?
- P.S. Patel:** We always say it should be within the range of 12 and 13, but depends on what type of work, which is going on different, different project, so we should say that I cannot assure you that it will normalize that well. It can be within the range of 12 and 13.
- Ankita Shah:** Got it and on revenue growth?
- P.S. Patel:** Revenue growth, we are expecting that what we have is 30% to 35% growth we are always saying that we will be going with 30% to 35% further projections in terms of revenue, so it will be on the same line.
- Ankita Shah:** Perfect and Sir are there still any free issue contracts or interior projects, which are relatively higher margins?
- P.S. Patel:** No, presently the interior projects, which we were doing now is Gujarat Vidhan Sabha is almost completed and now we are not doing any interior project. So the margins will be normalized at the same.
- Ankita Shah:** Sure and is inventory days likely to go up again from 16 days or can it be maintained or is it sustainable at this level?
- P.S. Patel:** See the inventory days are going plus or minus to 15 days because these Surat Diamond Bourse project is really going on a very fast pace and when we started in February and after Holi there was a big crisis of steel, so we could not get the steel on time, so we thought of let us leave (inaudible) 23:18 because if they did not need 150 tonne steel to fit with 2000 people last project it will be somewhere in between this 10 and 15 days.
- Ankita Shah:** Got it. Sure Sir. Thank you so much and wish you all the very best.
- Moderator:** Thank you. We take the next question from the line of Bharani Vijay from Spark Capital. Please go ahead.
- Bharani Vijay:** Good evening Sir. On this project, what are the costs, which are pass through especially now in the light of steel prices going up?



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- P.S. Patel:** Can you speak a bit loudly?
- Bharani Vijay:** So what I was asking was what are the costs which are passed through in the SDB project with commodity prices going up, is it a pass through or?
- P.S. Patel:** Yes, it is pass through, cement, reinforcement, steel, tiles, marble, granite, Italian marbles, so all finishing material and all major material for the structure is a pass through in front of any price escalation throughout the project.
- Bharani Vijay:** Understood and what is the position of the cash with the diamond bourse committee sir are they in a good financial situation or are they able to collect money from the merchants who were booked spaces in SDB?
- P.S. Patel:** Yes, they have every month collection and till now whatever advances, which we made every bill was paid on time. The first bill was 62 Crores check that was also paid on time and the most of the offices has been sold, 90% is they are claiming, we just have to take care all installments comes on time, but as of now we see that they are having plenty of money so I do not see any problem as of now.
- Bharani Vijay:** Understood and about our order inflow guidance, so of the 2000 odd Crores of tenders that we had submitted now, so what typically is our winning ratio?
- P.S. Patel:** Usually our winning ratio is 25% to 30% I have already said we are already having an outstanding order book of 2500 Crores and there we have been completing small, small projects in the way we have been bidding, we expect the order inflow was about 200 to 250 Crores every quarter, so we would target somewhere between 800 to 1000 or 1000 plus Crores of orders will come in this FY2018-2019.
- Bharani Vijay:** Understood. So till the time we complete the SDB project, which will be April 2020, so till that time we would not win or we interested to win any large such project right?
- P.S. Patel:** That depends on what type of project and what margin of project, if the project is good enough to do then we may quote for large price, so it is not there, but the things, which we are going today as I said that if we exclude Diamond Bourse, which is the largest project and which is going to be the standard revenue for next two years, but when we talk about the staff, which we are having in the number of 30 to 35 type, which we are handling in Ahmedabad and out of Gujarat we will be finishing one of the project every two or three months, so it depends on how much people are free or what type of project, the prestigious project inhibits the large project, which includes three or four sites wherein we can go for large size project also, so as of now we have not got up that yield once we bidding for large size project it depends upon the opportunity again.
- Bharani Vijay:** Understood and final question on our working capital, so historically apart from FY2018 our net working capital has been a negative number primarily due to low receivable days, but obviously



now with larger order book now in FY2018 the working capital days looks more like 14 days versus a negative number in the previous years, so what will be a sustainable working capital days for our business going forward?

Hetal Patel: See if you look at the creditors numbers, that has also increased compared to previous year's figures and even the receivable also similarly it has increased and if you see the quarter first revenue that has also substantially increased, so definitely on mass numbers it will be included some of the portion of the uncollected receivable, it is higher because of its higher numbers, but yes looking to the routine number of days collection it will range between 35 to 45 days for bidders.

Bharani Vijay: So payable days of 60 days would continue?

Hetal Patel: Yes, that will be around 50 to 60 days will continue.

Bharani Vijay: Right, so our net working capital days would still be one of the lowest in the industry still?

Hetal Patel: Yes, but inventory days may increase because of SBD project also we need to file up in more than one if we compared to other project.

Bharani Vijay: So it can be in another 20 days in the next two years like 17 days is the year end FY2018 numbers?

P.S. Patel: So you can say 15 to 20 days because yes diamond bourse project is the large project then there are huge people resources 2000 people are working and we are targeting to go up to 3000 in the next month. So at any point of time, we are also approaching towards monsoon, so I have to think about monsoon, but there will be huge inventory in some sort of aggregates, cement we are getting every day, but steel and aggregating strength we have inventory of minimum 15 to 20 days.

Bharani Vijay: Understood. That is very helpful. Thank you and all the best sir.

Moderator: Thank you. We take the next question from the line of Abhijeet Vara from Sundaram Mutual Fund.

Abhijeet Vara: Thank you for taking my question. First question is what would be your appetite in terms of orders flow for FY2019, you say you are targeting 1000 Crores, but can it be much higher than that?

P.S. Patel: The debt again depends there was one question somebody asked me that are you going to bid for large size project we have already bidden for one large size project in South, so that depends on the type of project and opportunity. Presently what I am saying is that the size of the project, which we are getting in and around Ahmedabad it is ranging between the range of 50 to 100 Crores. So if you target on those projects or if we compared to our previous years journey I am seeing one deadline that it should be within the range of 1000 so that we are able to maintain the projections of 35% to 40% growth we have been telling, so that can be maintained by this 1000 Crores inflow, but it may happen that we may hope we get a good opportunity of large size project, so it may go beyond 1000 Crores also.



- Abhijeet Vara:** You are saying the base orders of 50 to 100 Crores order that itself will be 1000 Crores in the next 12 months potentially?
- P.S. Patel:** Yes, I am saying the new inflow of order after March 2018-2019 that will be in the range of 1000 or 1000 plus.
- Abhijeet Vara:** Most of the orders, which you are seeing those are all in commercial only?
- P.S. Patel:** That has been commercial maybe institutional because we have been bidding for educational institute also, we have been bidding for hospitals also, so now after coming RERA there can be some big opportunities coming up from commercial developers also, but we have been selecting in terms of developing business. We need to understand the profile of the developer, but we can say that there will be inflow from commercial also.
- Abhijeet Vara:** How is the competition now Sir?
- P.S. Patel:** As far as competition in corporate world or the private sector, if you think it is not so high, but when we see from smaller size project there is no such organized company in Gujarat you can bid up to 500 Crores and when we talk about project more than 500 Crores also there will be a competition between large players like L&T, Shapoorji and JMC, but till the projects of up to 100 Crores people are seeking organized company, so there is a competition seen in the maximum three or four bidders per bidding, we have bid for one tender at MRF I think Suraj one and Simplex we four are bidders. Then competition is seen.
- Abhijeet Vara:** Sure Sir. Just one last question Sir, in terms of working capital limits, banking limits, do you have sufficient to sustain this year's growth, go for enhancement of limit?
- P.S. Patel:** After coming to IPO we have increased that limit to 425 Crores, which is the earlier bank guarantee and out of which maximum was to be utilized for the diamond bourse project for advance of 78 Crores and performance guarantee, we have more than 300 Crores?
- Hetal Patel:** No it is 150 Crores we have balance fund.
- P.S. Patel:** So 150 Crores that is still we are having, so once we complete the project all the projects needs to be completing, you are getting the performance guarantee and for those projects mobilization advance is also recovered, so that bank guarantee is also coming. So probably I think we brought at least up to 1000, 1000 plus Crores, I do not need any further enhancement of the BG facility of the company.
- Abhijeet Vara:** What was the cash generation Sir in FY2018 operating cash flow?
- Hetal Patel:** Sorry right now I do not have exact numbers.



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- Abhijeet Vara:** Thanks.
- Moderator:** Thank you. We take the next question from the line of Jatin Nayak from ICICI Prudential Mutual Fund. Please go ahead.
- Jatin Nayak:** Thank you Sir for taking my question. Sir my first question was the BJP headquarters, which we completed that project was one on L1 basis or nomination basis Sir?
- P.S. Patel:** No, it was on nomination.
- Jatin Nayak:** It was a nomination basis?
- P.S. Patel:** Yes.
- Jatin Nayak:** Sir my last question was with this Surat Diamond Bourse project our order book to bill ratio is very good, which ensures very strong visibility and execution over the next one or two years, but Sir do you see post completion of Surat Diamond Bourse revenue execution or revenue growth to be a challenge because of not major large size projects in your hand or do you see that you will be able to have good orderwinds during the last leg of Surat Diamond Bourse completion?
- P.S. Patel:** There are two parameters on which we are working, if you see our profile, we have been working for some large key projects of state government till now. When we talk about large size project till now our bid for pretty qualifying capacity is 300 to 500 Crores, but once I will complete this diamond bourse project of 1800 Crores my bidding capacity for a single largest project will go up to 2500 Crores and when we talk all over India the government of India or the government of Gujarat may have been having large size project this year, we have been not qualified till now, so there the competition is very few, only Shapoorji and L&T can qualify for the project of more than 2000 Crores. So probably those opportunities we get open once we complete these projects.
- Jatin Nayak:** That will happen only once you complete the project or now that you have backed the project it has already happened or it will happen over say post 50% completion of the project?
- P.S. Patel:** Already happened for the private sector. If I am saying that looking to Surat Diamond Bourse, so many people have inquired for some of the other projects for more than 500 Crores, but when we talk about government sectors that comes only when we complete their projects, they do not give the opportunities based on the projects, which are going on, but private sector yes they can still realize that they can leave site, they can see the performance, so they can sit with the clients for which whom we are working and then they can give you opportunity.
- Jatin Nayak:** Lastly as you said that this year you are wanting to be a little different in terms of order accretion and only if there is a very lucrative project would you go ahead and take a big project, is it that say not in this year, but in next year you would actually focus on winning some big private projects?



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- P.S. Patel:** That depends on opportunity as I have said that our total tendering, which we have done is about 2000 Crores out of which one project is only 1000 Crores, so it depends on the opportunity, I am not saying that I will be limiting myself to 1000 Crores, but when we are in the process of tendering all types of opportunities comes to you, and what you will do, capability to do that project and what type of project, there is some dynamic project and the profit margins are good it will always be.
- Jatin Nayak:** Say 15% to 20% kind of an execution growth even after Surat Diamond Bourse project goes away is very much possible is what you are saying?
- P.S. Patel:** Yes, it is very much possible because once we complete during the promotion of the project when we are doing SDB, there is a huge opportunity, which I am accepting to come from Surat itself. We are already mobilizing gift city, this is the largest project of gift city, so most of the developers, which are going to come in gift city, there also you are getting an opportunity. As we are doing in gift city Gujarat out of seven projects we are doing six projects, so once you are capable and your performance is good there are all opportunities that is going to come in the area where you are working, so I personally see as we have considered Surat SDB project as PSP 2 there is a different project, it is not same type, but at least total when you can always gather within that area.
- Jatin Nayak:** Thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Varun Agarwal from BOI AXA Mutual Fund. Please go ahead.
- Varun Agarwal:** Sir my question is on billing of revenue, you said we had billed some revenue this month for SDB, I just wanted to understand, lot of earthwork in the foundation work has been done, so with revenue in the cost, we have booked the margins also, so how does it work, can you explain?
- P.S. Patel:** What you are actually telling?
- Varun Agarwal:** So what I mean to ask is for example generally in terms of revenue for this particularly about SDB, if you booked the revenue, so have you billed the corresponding cost or along with that you have booked the margin also in that, so which is I am trying to understand that?
- P.S. Patel:** It is always the revenue, revenue it is always including profit basically if we are raising to SDB, this is all based on the rate, both the project based on this, but it was carried out on some BOQ and BOQs are with some rate and they are paying stage wise based on the quantity as of now and the rates, which we have quoted.
- Hetal Patel:** We have already booked corresponding cost for the revenues, which is in Q4.
- Varun Agarwal:** Sure.
- P.S. Patel:** It is cost and revenue both.



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- Varun Agarwal:** Sir in terms of new projects, which basically we are tendering so for those projects we are assuming if it is outside Gujarat it should be a better margin versus blended margin because we are going out of Gujarat, so do we expect that?
- P.S. Patel:** What is your last line?
- Varun Agarwal:** So do we expect better margins in those projects and if you have how much better margin?
- P.S. Patel:** When we are bidding for out of Gujarat, we cannot say it is a better margin, but at least we need to be considering one or two unforeseen expenses, which may come out and we are going out of Gujarat. So it will be more or less on the same margins, but we still need to have a comfort of 1% or 2% higher than what we quote in Gujarat, so that is our unforeseen expenses can be covered.
- Varun Agarwal:** But there also will be a competitive versus competition like a JMC or L&T?
- P.S. Patel:** When we are bidding with JMC, Shapoorji, L&T, overheads, which we have that the total overhead cost, which we are incurring as of now if you see our balance sheet, it is much, much more less than those players, so any addition of 1% or 2% from our side for the sake of unforeseen it is not going to impact that we will not be able to compete the L&T, Shapoorji when we are going on.
- Varun Agarwal:** So basically in short we are more efficient that is why even though outside Gujarat?
- P.S. Patel:** Yes, it depends upon the operation, how we are executing the project. The style of executing the project is going to remain the same whether we are working in Gujarat or we are working out of Gujarat.
- Varun Agarwal:** Sure. Sir one last question on basically the new projects, which we were bidding, so MEP work, which we are doing, is it outsourced or is it inhouse?
- P.S. Patel:** Usually it is outsourced, but what we usually do it is done through the loan agencies, which we would not be have an experience of things working with this for four or five years, but yes it is outsourced and create their own team, but most of the things are being purchased and percentages are discussed in person and then it is outsourced.
- Varun Agarwal:** Even for SDB it is outsourced right?
- P.S. Patel:** Yes, even for SDB also, presently we have been talking to all the suppliers who are our associated builders, but then again that most of it used to work, so we will need to understand the cost first and then we will be sharing some margins to them and then will be passing them to do as a contract.
- Varun Agarwal:** Sure. Thanks a lot Sir for your answers and all the best.
- Moderator:** Thank you. Next question is from the line of Ambar Singhania. Please go ahead.



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- Ambar Singhania:** Thanks for taking my question. Sir as per your presentation, the pending order book in Surat Diamond Bourse is 1386 Crores whereas initially it was 1576, the difference is 190 Crores, whereas we have executed only 59 in this quarter, so could you help me reconcile this number Sir?
- Hetal Patel:** Yes, Mr. Ambar actually there is one small mistake left out in the presentation, we have already uploaded revised presentation. The amount excluding the Surat Diamond Bourse is 1043 Crores.
- Ambar Singhania:** 1043?
- Hetal Patel:** Yes. Instead of 1173, you please consider 1043 Crores.
- P.S. Patel:** We have already revised and we have already uploaded.
- Ambar Singhania:** Fine Sir and I was seeing the previous one actually. Okay fine. Got it. Secondly just wanted to understand how much capex we have done towards the Surat Project out of this 41 Crores?
- Hetal Patel:** It is mostly around 25 Crores we have already sent for Surat.
- Ambar Singhania:** 25 Crores for Surat, so going over the depreciation will be in the line of Q4 depreciation number of around 43 million?
- Hetal Patel:** It will be on higher side because during this Q4 we were in the process of acquiring various machineries.
- P.S. Patel:** Total capex will go up to 40 Crores, totality if you see then the depreciation will be around 40 Crores. Presently we have purchased up to 25.
- Ambar Singhania:** Sir just to understand on a normalized basis depreciation per quarter would be roughly around 6 Crores on a normalized basis because this quarter it was half, for FY2019 I am saying, roughly the total depreciation would be in the 25 Crores for the full year FY2019?
- Hetal Patel:** See for every quarter I think it should be around 5 Crores.
- Ambar Singhania:** Fine. Got it and any other capex you need apart from this 25 Crores for Surat, you need any further capex for the normal business?
- Hetal Patel:** Yes, for normal business we have incurred around 10 Crores, 10 to 12 Crores.
- Ambar Singhania:** I am saying FY2019, what is your capex target?
- P.S. Patel:** Till now we have bought the machinery, the capex was at 25 Crores, which may go up to 40 Crores, which will be required for the Diamond Bourse and further 10 Crores will be required for other



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projects, which we will be doing or which will be bidding or which will be starting new. So each projects needs capex about 3% to 4%.

Ambar Singhania: Fine. Got it Sir. Thank you very much.

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

Chintan Sheth: Thanks for taking my question. On the other current liability is higher from 50 to 112 Crores, does this include the advances received from the SDB 90 odd Crores?

Hetal Patel: Sorry, you are talking about current liability?

Chintan Sheth: Other current liability is 55 Crores has increased to 128 Crores, so what does it include?

Hetal Patel: Because of this SDB also instead of that mobilization advance and that has been included to some extent.

Chintan Sheth: What is the unutilized FD OD provision right now?

Hetal Patel: See if you see the current borrowings that is 17 Crores we have utilized as of March 31, 2018 and we do have a limit of around 60 Crores, so you can say around 40 Crores is still unutilized.

Chintan Sheth: Madam we have around net cash of around 200 odd Crores, so how much bidding we can do based on the cash availability resources we have?

Hetal Patel: If we look at the current bank guarantee facility available with us now cash is there definitely, but we need to look at the bank guarantee facility also, so around 150 Crores of bank guarantee is still available with us, so that we can utilize for 150 Crores.

Chintan Sheth: Out of 220 odd Crores of net cash, 150 is free cash, that is blocked in form of bank guarantees and margin money?

Hetal Patel: Yes. It will be more than that. That is margin will be more than that because it will include even FD OD bank facility also.

Chintan Sheth: How much is unutilized cash in the books of the total?

Hetal Patel: Unutilized means free FD, it will be around 65 Crores.

Chintan Sheth: free FD is only 65 Crores right now?

Hetal Patel: Yes.



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- Chintan Sheth:** Madam can you update on the JVs, both JVs, GDCL and Proactive wherein we are executing one metro depot and one WTC tower, so what is the backlog there and how much revenue we have booked and what is the outlook there, are any more projects we are bidding from those JVs?
- P.S. Patel:** No. We are not going to be bid for having loan, new projects for those JV both the JVs have been created just for those projects only, so once we complete this gasco depot we would not be bidding on the projects. If we have some infrastructure project on the same line we may bid, but as of now we are doing only these two projects and both the projects are meant for those two projects only, for WTC we are doing a JV with Proactive and for Gannon Dunkerley we are doing a metro project only.
- Chintan Sheth:** How much revenue is booked in both the JVs this year GDCL and Proactive?
- Hetal Patel:** Orders on hand if you see in both JVs it is around 80 Crores to the extent of complete share as of March 31, 2018. In the revenue book, it is around 22 Crores in Proactive and around 35 to 40 Crores in JV company, GDCL metro company.
- Chintan Sheth:** 20 odd Crores in Proactive?
- Hetal Patel:** Yes.
- Chintan Sheth:** In terms of receivables and you already answered I think. I will join back in queue. Thanks.
- Moderator:** Thank you. Next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Thank you and congrats for good set of numbers. Sir my question is mainly related to revenues. Sir we are guiding for 30% to 35% revenue growth for FY2019, so just trying to understand if I exclude the SDB in the remaining order book of 1043 Crores the execution period I understand it would be two to two-and-a-half years, am I right Sir?
- P.S. Patel:** Yes because there are two large projects in that outstanding order book, one is Bombay Stock Exchange forum and other is **Dahod** hospital and both the projects, which were one project has just started, though the order we got in the last year and the other project is still yet not started because of the land issue with the government, which may start after one or one-and-a-half months. So probably these two large projects will be carried out two to two-and-a-half years, maximum two-and-a-half.
- Shravan Shah:** And the Surat Diamond SDB also to be completed in next two years, so even if I do the same simple map then also I think the revenue comes close to 1200 Crores odd versus if I take 30% to 35%, which is 989 to 1000 Crores, so just trying to understand are we making sure or are we keeping ourselves too conservative and also I am not considering or we are not considering the revenue from the new orders that we are going to win in FY2019?



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- P.S. Patel:** You can say that we are trying to be a bit conservative, but in totality we can say that 35% to 40%, 1000 to 1000 because see sometimes what happen is as I said, these two orders, which we got somewhere in the third quarter of September 2017, but due to some reason or other is that it could not be started. Otherwise these two projects would have given me some revenue in March 2018. So these type of things sometimes happen with some of the projects. So we are trying to be again a bit conservative in terms of giving the projections.
- Shravan Shah:** Sir value of these two projects outstanding order book is how much Sir?
- P.S. Patel:** These 230 and 130, so it is 360.
- Shravan Shah:** Sir just once again in terms of order inflow, you said 1000 Crores order inflow we can get as a normal or regular orders, if you win this 1000 Crores, one project which we have bid, then also can we go for the regular order inflow of 1000 Crores?
- P.S. Patel:** Yes, we can say that is the project, which we are targeting somewhere in South and probably we are doing two projects in South. So most of the infrastructures for these two projects the projects are small, but the whole infrastructure, which we have set up in south will be utilized for that project, so that is not going to impact the infrastructures and resources, which we are already having in Gujarat.
- Shravan Shah:** Sir FY2018 how much total capex we have done and for FY2019 how much are we guiding for capex?
- P.S. Patel:** Capex usually there is always a new increase in about 3% to 4% in each project, so it depends on what type of project, which we are getting started, but I think including diamond bourse we should land at somewhere about 50 to 60 Crores, 60 maximum.
- Shravan Shah:** FY2018 how much capex we have done?
- P.S. Patel:** Till now we have done 37.
- Shravan Shah:** That is it from my side and all the best.
- Moderator:** Thank you. We take the next question from the line of Trupti Agarwal from White Oak Capital. Please go ahead.
- Trupti Agarwal:** Yes. Thank you for taking my question and just a quick one on this diamond bourse. Just wanted to know what is the execution rate for like 19 and 20, what would be the proportion of work that would get completed and accordingly what would be the revenue?
- P.S. Patel:** See because of this total 1575, if we divide then there is about 600 Crores has to come from MEP, that is the part, which will come later and 800 to 900 Crores is the structure part, we would say that



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this year we should go up to 500 Crores, next year we can go up to 800 Crores, the rest of the revenue can go up to after 2020 if the project is get completed in June 2020.

Trupti Agarwal: Got it Sir and my next question is if I look at your geographical mix of revenue almost 85% is in Gujarat so just wanted to know what is your ambition for diversifying outside Gujarat and what gives you confidence?

P.S. Patel: Yes, we have been saying throughout our journey that we are not targeting too much out of Gujarat, but we still want our presence out of Gujarat. We are still trying to go in a limited scale out of Gujarat depend on the type of project and type of opportunity, which we get, otherwise we will be more focused on Gujarat.

Trupti Agarwal: Sure and you believe that there is considerable opportunity in Gujarat?

P.S. Patel: 110% I still feel there is a huge opportunities to come in Gujarat because we are the only one, even export out of Gujarat. We have just started operations in Surat, there are huge projects to come in Dahej, there are huge projects to come in but I personally think that there is a huge opportunity itself in Gujarat, but still to be a national player we would like to remain out of Gujarat also to get good opportunity sometime.

Trupti Agarwal: Sure. That is it. Thank you Sir.

Moderator: Thank you. We take the next question from the line of Gautam Gupta from Nine Rivers Capital. Please go ahead.

Gautam Gupta: Thanks for taking my question. The one view of 40 Crores order book which is a non-SDB order book, this is mostly with material?

P.S. Patel: Yes, all the projects are with material.

Gautam Gupta: And even going for most of the tendering would be on with material kind of projects?

P.S. Patel: Yes, usually after GST, which would not be a case that we are working without material.

Gautam Gupta: Thanks. Perfect.

Moderator: Thank you. We take the next question from the line of Chirag Patel from Patel Investments. Please go ahead.

Chirag Patel: Congratulations on good set of numbers Sir. My question is after completing this Surat Diamond Bourse I can say after next two to three years are we planning into road infra or any kind of stuff?



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- P.S. Patel:** No, we are not at all interested on that. This is not my impression also. So we will limit ourselves to building only, not into road infra as of now.
- Chirag Patel:** Can you throw some light on the orders, which are apart from Gujarat state?
- P.S. Patel:** Apart from Gujarat state – presently we are doing two dairies in Karnataka. The one is in Bengaluru and another is in Mangaluru and there are two projects of hospitals and medical college in Rajasthan. These are four projects, which is going on and the **Delhi** interior project it has been completed.
- Chirag Patel:** Are these projects are L1 or nominated kind of thing?
- P.S. Patel:** Both the JVs were L1 and both the medical college and hospital were L1, only the **Delhi** interior project was on nomination.
- Chirag Patel:** Specifically apart from Gujarat order book in future are we more interested in L1 or in nominated kind of projects?
- P.S. Patel:** See when we are in top of government project, which is always the lowest selling bids order, when we talk about private mostly they go consented on two or three parties and the regular tendering process only, but then after out of this they can negotiate and give it to anybody.
- Chirag Patel:** Is it a kind of subcontracting or direct?
- P.S. Patel:** Direct contract between the client and for us, but when we did you will see a prequalified or loan contractors, and once they get the quotes they always negotiate with three people and out of those three people they can go to anybody with whom they have a comfort.
- Chirag Patel:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Kunal Bhandari from HDFC Securities. Please go ahead.
- Kunal Bhandari:** Thank you for giving the opportunity. Sir I just wish to understand suppose you see you bag 1000 Crores project that you are looking at in South and apart from that you got substantial portion of the remaining 1000 Crores orders that you are bidding for, so do you foresee any constraints may be on the financial front or either the operational front for executing such a large order book when Surat Diamond Bourse is already going on side by side?
- P.S. Patel:** I always said that we have created totally new infrastructure only increasing 40 people from Ahmedabad to Surat. So that resources or the infrastructure, which we have created is self sufficient for that whole project till two-and-a-half years or any further projects, which we are getting in and around Surat to a scale of 500 Crores to 1000 Crores, so that is the structure, which we consider as



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PSP 2 and now if you consider whatever projects, which we are handling today is 30 to 34 projects, so rest of the people that are totally about 50 to 600 people we are already having around Ahmedabad, so these resources we can utilize in the other projects also. So I do not personally see and talking about out of Gujarat the project, which we have now and at the end of completion we will be getting completed somewhere in July and August, so there also 40 to 60 people will be getting free. This is the factor wherein we have to think about the people, which who are already with us and if I reduced the number of projects in Ahmedabad or around Ahmedabad to 30 to 34 from 20 or 25 we are getting surplus staff to operate for that project.

Kunal Bhandari: So operationally you would not have a lot of pressure that is what you are saying, even if you end up grabbing substantial part of the 2000 Crores.

P.S. Patel: Yes, operationally the biggest challenge usually for a good company operationally we see in those management one or two people that we have to be very careful and selective and usually prior to infuse those people right from Gujarat only, so that they will hear that length in terms of language and operation and rest of the people can be managed there.

Kunal Bhandari: Sure Sir. Thank you Sir.

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

Chintan Sheth: X SDB 1000 Crores order, what is the execution period for us?

P.S. Patel: In the period of 24 to 30 months because there are two large projects, one is 130 Crores project of PSP forum, which we need to complete in 18 months and there is one 230 Crores project of his **Dahod** hospital, which is to be completed in four months, so we can say maximum two to two-and-a-half year.

Chintan Sheth: Excluding this I think it will be around 650?

P.S. Patel: If you exclude those two projects then it will be around 12 to 20 months.

Chintan Sheth: 20 months right and in terms of people addition, how much new recruits we did permanent influence we did in FY2018 compared to FY2017?

P.S. Patel: From March 2017, we were around 229 and presently we are in..

Hetal Patel: 115 new staffs.

P.S. Patel: About 115.

Chintan Sheth: 115 new staffs. I will get back in queue. Thank you.



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Moderator: Thank you. Well that was the last question, I would now like to hand the floor over to the management for their closing comments.

P.S. Patel: I think we do not have any further things to say, if the questions are over we can close this call.

Moderator: Sure. Thank you very much. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference. Thank you all for joining us. You may disconnect your lines now.