



“PSP Projects Limited Q3 FY24 Results Conference Call”

February 09, 2024



Dolat Capital



**MANAGEMENT: MR. P.S. PATEL – CHAIRMAN, MD & CEO,
PSP PROJECTS LIMITED**

**MRS. HETAL PATEL, CFO,
PSP PROJECTS LIMITED**

**MODERATOR: MR. SHRAVAN SHAH – VICE PRESIDENT,
RESEARCH ANALYST, DOLAT CAPITAL**



*PSP Projects Limited
February 09, 2024*

Moderator: Ladies and gentlemen, good day and welcome to PSP Projects Limited Q3 & 9M FY24 Results Conference Call hosted by Dolat 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shravan Shah, VP, Research Analyst from Dolat Capital. Thank you and over to you, sir.

Shravan Shah: Thank you, Tushar. Good afternoon, ladies and gentlemen. On behalf of Dolat Capital, I am pleased to welcome you all on the PSP Projects Q3 FY24 Earnings Conference Call.

We have with Mr. P.S. Patel, Chairman, M.D. and CEO, along with Mrs. Hetal Patel, CFO of the Company.

We will begin with the “Opening Remarks from the Management,” followed by “Interactive Q&A Session.”

I will hand over the floor to Mr. Kenan Patel – Company Secretary for a disclaimer and then the management will have opening remarks. Over to you, sir.

Kenan Patel: Thank you Shravan. Good evening, everyone.

On behalf of the management, I am pleased to welcome you all to PSP Projects earnings conference call to discuss Q3 & 9MFY24 financial results. The presentation which we have uploaded on the stock exchange and our website today, including the discussions that we will be having in this call contains or may contain certain forward-looking statements concerning our business prospects and profitability which are subject to several risks and uncertainties and actual results could materially differ from those in such forward-looking statements. Please note, a copy of all our disclosures is available in the Investors section of our website as well as on the stock exchange.

Now I shall hand over the call to our Chairman sir for his opening remarks. Over to you, sir.



*PSP Projects Limited
February 09, 2024*

P.S. Patel:

Thank you, Kenan. Good evening, everyone. A warm welcome to the earnings conference call of PSP Projects Limited to discuss the unaudited financial results for the third quarter and nine months ended on 31 December 2023. We concluded the board meeting this morning and uploaded the detailed investor presentation on the stock exchange and website for your review, I hope you got a chance to review the same.

I would begin with sharing certain important highlights that took place during the quarter:

- During Q3FY24, the company completed 7 projects. The major projects completed are:

- Residential project for Adani Realty

- Industrial Warehousing Projects in Precast at various locations in Gujarat

- Precast Box Culverts for Reliance Jamnagar

- During Q3FY24, the company was awarded 2 projects. The major projects awarded are:

- Kalamkhush Campus at Gandhi Ashram (one of the initial projects part of the massive development government plans to do in Gandhi Ashram)

- Gujarat Biotechnology Research Centre at GIFT City Gandhinagar

- The company received an order inflow to the tune of Rs.1,060 crore (excluding GST) and lowest bidder (L1) in total orders of value Rs. 1,222 crores till the end of 9MFY24. As on today, post receipt of recent letter of acceptance, the order inflow is to the tune of Rs.1,995 crore and total L1 orders of value Rs.928 crore. We are fairly in line with the order inflow guidance provided for this financial year.

- As on 9MFY24, the outstanding order book was to the tune of Rs.4,443 crore, a decline of 12% on YoY basis on account of faster execution of projects and higher number of completions of on-going projects as compared to order inflow. Out of the outstanding order book, the private projects comprised 49% while Government projects comprised 51%. As on 31 December 2023, there are 49 on-going projects, 87% of which are in based in Gujarat and 13% in UP. Till date, the company has

completed 219 projects in total since inception with 84% private projects and balance Government projects.

- In October 2023, the company was bestowed with the award of “Fastest Growing Construction Company in India” (below 2000 Cr. turnover category) fourth year in a row at the 21st Construction World Global Awards, 2023.

Now, I would like to share certain essential developments that took place on the projects side:

- Regarding Surat Diamond Bourse: As per our release dated 7 December 2023, your company has filed a Commercial Civil Misc. Application seeking interim measures under Section 9 of the Arbitration and Conciliation Act before the Hon’ble District Court. Your company prayed to the Hon’ble Court to grant interim reliefs in the form of injunction and to pass an order directing the Respondent to deposit an amount of Rs. 538.59 crores along with the interest thereon amongst other reliefs. The case is at the stage of arguments and pending before the Hon’ble District Judge, Surat. The matter is adjourned to February 12, 2024
- Regarding the UP Projects. During the quarter, the revenue booked from all UP projects is to the tune of Rs.250 crore and as on 9MFY24 the total revenue booked is Rs.1,429 crore. Cumulatively, all the UP projects are at an advanced stage and nearing completion.
- Regarding the SMC administrative building, the project is moving as per planning and schedule. The rafts are completed. During the quarter, the revenue booked is to the tune of Rs.49 crore and as on 9MFY24 the total revenue booked is Rs.171 crore.

Hetal ma’am will share the financial performance of the company in detail with you. I would like to highlight that now your company has entered a different league of bidding of projects, we are getting pre-qualified and are bidding for large sized projects across different states. Post completion of large sized and certain marquee projects, our team at present is beaming with confidence to handle projects and execute them with effective planning across the country. In our journey of 15 years, we have over time made our mark and are recognized for delivering quality projects and our planning systems are well regarded in the marketplace which is helping us complete projects adhering to the project timelines. We endeavor to gradually move up the value chain and increase the projects of higher ticket size gradually over a period of time. Our bid

book now is spread across projects in the states of Madhya Pradesh, Odisha, Delhi, UP, etc. The 2024 budget unfolds a visionary roadmap for 'Viksit Bharat,' with Rs. 11 lakh crore towards infrastructure allocation constituting 3.4% of the GDP. We look forward to participating in India's growth story by playing our positive role in the development process. We are confident on the fundamentals of the Indian economy and expect them to remain solid with focus on growth, development across the states of the country.

With this, I conclude my remarks and now I would like to handover the call to Ms. Hetal Patel to take us through the financials in detail.

Hetal Patel:

Thank you, Sir. Good evening Everyone. The financial performance during the quarter ended December 31, 2023 is as below:

Q3FY24 vs Q3FY23

- Revenue from operations for the quarter is at Rs.697 crore vs Rs. 497 crore, increased by 40 % YoY basis
- EBITDA for the quarter is at Rs. 71 crore vs Rs. 62 crore, higher by 16% YoY basis.
- EBITDA Margin is at 10.25% vs 12.39%.
- Net profit for the quarter is at Rs. 33 cr vs Rs.35 crore, reduced by 8% YoY basis.
- PAT Margin is at 4.63% vs 7.01%.

The revenue generated from 7 UP Projects put together was Rs.250 crores during Q3FY24. Cumulative revenue till December 31 2023 is Rs. 1433 crore.

Other Expenses increased from Rs. 5.2 cr in Q2 to Rs. 8.51 cr in Q3 which mainly includes ECL provision on Trade receivable to the extent of Rs. 3 crores.

Employee costs increased from Rs. 29.56 cr in Q2 to Rs. 33.75 cr in Q3 mainly due to appraisals processed during the quarter.

The increase in Finance cost from Rs. 12 cr in Q2 to Rs. 15 cr Q3 is mainly on account of increase in short term borrowings and bill discounting facilities during the quarter.

The increase in depreciation from Rs. 14 cr in Q2 to Rs. 18 cr in Q3 is on account of significant additions in fixed assets to the extent of Rs. 34 crores during the quarter.

During the period of 9 months, company has incurred capex of Rs. 142 crores out of which Rs. 74 crores is for precast facilities.

Would like to mention few of the important balance sheet numbers as on December 31, 2023.

- Long term borrowing: Rs. 75 crores including short term maturities of Rs. 50 cr
- Short term borrowings: Rs. 403 crores excluding short term maturities of Rs. 50 cr
- Gross Block of assets: Rs. 543 crores, Net block Rs. 325 crores, additions during the quarter is Rs. 34 crores.
- Net Unbilled Revenue: Rs. 409 cr
- Retention – non-current: Rs. 58 cr
- Retention current: Rs. 101 cr,
- Mobilisation Advance: Rs. 221 cr
- Inventories: Rs. 269 cr which comprises of Rs. 122 cr of construction materials, Rs. 123 cr of work in progress and Rs. 24 cr of Finished goods.
- Working capital days are as follows:
 - Debtor days are 63
 - Creditor days are 60
 - Inventory days are 35
 - Total net working capital days are 38

Out of total sanctioned credit facilities of Rs. 1497 crores, company utilised Rs. 1030 crores and Rs. 467 crores available for utilisation.

- Fund based utilization: Rs. 245 cr
- Non-fund based utilization: Rs. 785 cr

As on December 31, 2023, The company has total fixed deposits of Rs. 257 crores out of which lien free deposits of Rs. 47 crores, FDs worth Rs. 210 crores are under lien with Banks for credit facilities.



PSP Projects Limited
February 09, 2024

Work on hand as on December 31 2023 is Rs. 4443 cr. Detailed bifurcation is available in the uploaded presentation. That concludes the update on financials, and we are now open the floor for Q&A.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Tushar from Comerica Wealth Management. Please go ahead, sir.

Tushar: I just wanted to understand the receivable from the Surat Diamond Bourse and what is the update on that?

Hetal Patel: So, Rs.46 crores on receivables, Rs.53 crores on unbilled and Rs.42 crores as retention. So that is outstanding as we have already mentioned in the note.

Tushar: What's the update on that?

P.S. Patel: I've already discussed in my initial call wherein we have stated that the matter is in the court and presently we have initiated only Section 9, so wherein just to safeguard our money before we go to the arbitration. The first hearing has already happened on 7th February and second hearing from our side is on 12th February. So probably by end of February, the Section 9 matter should get completed and we should be in a position to get some order from the court regarding our money.

Tushar: Sir, I could see we are getting good orders. Like, just wanted to understand your growth like for next two years, how do you see your top line growing and also the order book?

P.S. Patel: As I already said that the present order book this year we envisage is in the range of Rs.3,000 crores. I think we are still in the line that we will be able to achieve that Rs. 3,000 crores order book. And next year also when we think about the projection revenue of about Rs.3,000 crores, then the order book inflow should be in the range of Rs.3,500 crores. I think both the things which we have been doing till now and we are confident that next year also we'll be able to doing the same.

Tushar: And so what sort of margin you are foreseeing on that?

P.S. Patel: Margin, as I always said it should be in the range of 11% and 12% and we try to maintain that as far as possible as we maintain our tender bidding criteria and we'll be trying to remain in the same range.



PSP Projects Limited
February 09, 2024

Moderator: The next question is from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan: A couple of questions. First, just wanted to get a better sense of institutionalization in the Company, in that context, would it be possible to share, how many employees in the Company beyond the promoter family get a remuneration of say more than Rs.50 lakhs?

P.S. Patel: I think I have to come back to you, but at least I think it should be in the range of 10 people.

Amit Khetan: And secondly, over the last two to three years, the promoter shareholding has come down significantly from 74% to 66%. What is the reason for this and how should we look at the promoter shareholding going forward?

P.S. Patel: So this reduction has been done before March and I think after that also in the first quarter, in the second quarter we already said that it will not go beyond this level, that was some requirement from my personal side wherein we have done that. Originally it was 72, then we increased our share to 74. And latterly by selling some, it has now been to 66.2, so probably this will remain the same as far as one year is concerned.

Amit Khetan: So the reason was for some personal requirement?

P.S. Patel: Yes, it was a personal requirement.

Moderator: And the next question is from the line of Vishal Periwal from IDBI Capital. Please go ahead.

Vishal Periwal: I have two questions. First, in terms of margin in this quarter, we have seen a little bit of dip. So I know on quarterly basis, things do move up and down. But is there any particular project that we have executed or started that has led to this or how exactly you see this going?

P.S. Patel: Actually, it is not related to any one project. But yes, we can say that there has been some more expense at the UP side because it is at the verge of completion also and as we were moving little bit fast to complete it by December major projects and by March all the projects, there were few expenses made because the labor which we were managing must be on department level. So I think Rs.4 crores or Rs.5 crores must have gone there in terms of speeding up the project.

Vishal Periwal: You said like we are on a verge of completing those projects in UP which has impacted this margin, which means like in a Q4, we can expect a similar sort of margin what we have done in the December quarter?

P.S. Patel: That depends again, because as I said like we try to maintain at 11% and 12%, but the project work and which is left is in the range of Rs.60 crores to Rs.63 crores. So probably there won't be any much impact, but the work which we did in the last quarter was the highest, that is Rs.250 crores. So, that was the reason that there was some more expenses on the labor side.

Vishal Periwal: And then second is on the equity raising plan that we have to put it in the BSE. So, if I look at in terms of our limits and then borrowing, everything is probably quite denying and there's a lot of buffer. So, what is the reason of the board taking an approval for the equity raising?

P.S. Patel: See, it is an enabling process which we have initiated. So it will be decided later on, because it is majorly required in terms of growth capital but present requirement of enabling up to Rs.300 crores, that's what we have thought of. No idea of exact amount we may go ahead. And as we have been facing this working capital issue in the Company since March 2022, so it's not that we are very much inclined towards going clearly, but that it's an enabling process which we have done, if we get a better opportunity, we will go ahead.

Vishal Periwal: What's the gross debt as on date?

Hetal Patel: See, as on 31st December long-term borrowing is Rs.75 crores and short term borrowing is Rs.403 crores which includes FDOD facility utilization is Rs.60 crores.

Vishal Periwal: And based on the current probably like the bandwidth that we have, what is the incremental debt that we can raise and then probably we can go for equity raising, anything that you can provide a color?

Hetal Patel: Incremental debt in terms of short-term debt you are talking about?

Vishal Periwal: Yes.



PSP Projects Limited

PSP Projects Limited
February 09, 2024

- Hetal Patel:** We have around Rs.30 crores of free-limits, so that we will be utilizing from consortium limit, but we will not be going for further debt increase.
- Moderator:** The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, just to get a further clarity, in nine months, we have done a 15% revenue growth. So, in the fourth quarter, how much are we planning, so for the full year, how much growth are we looking at? So last time we said Rs.2,600 crores revenue for this year FY24. So now how we are seeing that?
- P.S. Patel:** I think last time also I said between Rs.2,500 and Rs.2,600 crores. So, we will be in the range of Rs.2,500-plus crores.
- Shravan Shah:** And for next year, you said Rs.3,000 crores revenue that we are looking at for FY'25?
- P.S. Patel:** Right.
- Shravan Shah:** In terms of the margins, previously, we used to say 11% to 13%, but now it seems that we have reduced this range from 11% to 12%. So, are we seeing that going forward, for our margin there is no scope for it moving up?
- P.S. Patel:** See, it's an impact of 1% or 1.5% plus or minus. On the conservative side, I usually say 11-12 and you people always say 11% and 13%. That's the only difference. And as I always say, it is very difficult for a contracting firm when we are working more on an EPC project to envisage the exact margin what will happen because there are so many uncertainty in EPC project. Sometimes, you get a benefit of 1% or 1.5% and sometimes you get a loss of 1-1.5% because you are not able to envisage the whole project within 20 - 25 days of bidding. So, this is plus or minus both sides.
- Shravan Shah:** So for fourth quarter, the way this quarter was we had a lower EBITDA margin of 10.3%, so it should come back to the normal level for nine months also if you look at 11.5% -11.6%, so that range will come back again in the fourth quarter?
- P.S. Patel:** See, I cannot assure you, but yes, the major projects which was hit this quarter was because of UP and now the UP projects are getting completed, only 60-plus crore work is left out. I think we should be in a position to come back to the original margin what we have been expecting.

Shravan Shah: Just to get a clarity, so equity raising and the rate combined put together, so this Rs.300 crores is just an enabling resolution that we are taking and if we get an opportunity, we will try to raise, but as such we are not needing this capital right now on urgent basis?

P.S. Patel: Yes, it is not an urgent basis, but as I have already said that if it is required for the growth capital from here on, the order book, which we are expecting Rs.3,000 crores, and most of the orders if you remember, L1 are getting converted, two orders in third quarter and maybe in the last quarter. So probably all these projects will require bank guarantees, which will return margin also. So, probably this is an enabling process which we have initiated. We'll think of it as and when needed.

Shravan Shah: But sir, I think on the non-fund based limit scope is there, so even if this Rs.928 crores L1 is there, even if it gets converted, do we need the extra equity to get the bank guarantees?

P.S. Patel: Yes, basically what I am saying is the order book, if you see the Rs.900 crores we have already declared is Rs.650 crores and the other two quarters are going to be getting which will be receiving in a few days. So probably adding on this Rs.1,500 to Rs.1,600 crores from here on, that will also be required bank guarantee of Rs.350 crores to Rs.400 crores which will require margin of minimum for the 20% if we say, then also Rs.300 crores.

Shravan Shah: Just a clarification. In terms of the L1 order, Rs.928 crores, this only include Science City of Rs.297 crores and Gati Shakti, Vadodara order of Rs.631 crores. There was a one dairy plant, Rajkot project of Rs.441 crores. So, is it also not part of L1 or got converted?

P.S. Patel: No, no, it is not now a part of L1 because we have deducted that from our L1 order as such the project is cancelled because of the budget. Dairy was expecting prices to come in the range of Rs.400 to Rs.450 crores, but both the bids have gone beyond Rs.500 crores, which was not their budget. So now they are revising the whole budget and reducing the scope of work and they will come up with a tender of Rs.350 to Rs.400 crores again by end of March or maybe in first week of April.

Shravan Shah: What's the bid pipeline in particularly a couple of projects from there and the Delhi railway station Rs.4,800 crores project, so what's the status there?

P.S. Patel: I think it is already there in the news that Rs.4,800 crores Delhi railway station tender has been cancelled, but still we have a bid pipeline of about 6,000 crores, Out of which, I will mention some of the major projects.

Residential Building in Delhi	1,000.00
Commercial Building in Delhi NCR	1,000.00
Mall in Surat	200.00
Commercial Building in GIFT	400.00
Airport at Varanasi	1,000.00
Industrial Project at Sanand	350.00
Commercial Building at GIFT	150.00
UP Court Building	2,000

So the total bid book stands at Rs. 6,000 crores. So presently we can say that the bid pipeline is in the range of 6,000 crores excluding Delhi.

Shravan Shah: If let's say this SDB as you were saying, correct me if I'm wrong that we have put a claim of Rs. 539 crores odd, that's what you mentioned I think in your remarks and broadly we are expecting by end of this February the outcome and let's say even if settle in middle of this Rs.300 crores or Rs.400 crores also if we receive this and plus whatever we were supposed to get Rs.141 crores, then do we think that we need to go for equity raising?

P.S. Patel: First and foremost thing, you should understand that we are not getting the cash money out of this hearing of Section 9. Section 9 allows the provision of protecting my money. It is not that they will be paying me that money. So when there is a private organization, you have to protect before go to the court. Because in private organizations, once the project is over and there is no one in the association who can bear this money or the association may not have that much money, but at a later stage you get an award of an arbitration. So by law, before going to arbitration in private organization, you have to file in Section 9 whereby they can protect our money. Suppose we have made a claim of Rs.530 crores, after understanding the claim, if they find some truthness in the claim they will protect our money in a way of bank safeguard the client or maybe in terms of putting lien on the sales part of the offices which are yet to be sold. Such types of provisions they make or they can create an escrow account also wherein this money which is coming as part of revenue in that organization is put in escrow. So such types of provisions are there in Section 9. Otherwise, after hearing of Section 9, if they come to a conciliation at the personal level and if there is a result before going to arbitration and we get something out of this in the range of Rs.300 or Rs.350 crores, I think then

we will always think that whether we want to go for QIP or not. But probably let us wait for one, one and a half months.

Shravan Shah: The current debt level, which is going up, so Rs.478 crores combined short term and long term, so how do we see this for this year and for next year considering if we are reaching Rs.3,000 crores revenue next year, so how one can look at this debt and at the same time the finance cost which is going up quarter-on-quarter?

P.S. Patel: Actually, if you clearly see the overall from March '22, this has started. Basic money we got stuck up is majorly because of Surat Diamond Bourse and later the projects of UP, still we have some money to be received from UP projects also. So probably this is majorly because of the money getting stuck up in these large projects, that's the issue related to that, suppose if both the moneys are in place, I think there won't be any much requirement of debt going up from here. At least we can get Rs.300 crores out of Surat within this one month before March, and then debt level will come to less than the normal.

Shravan Shah: But if we don't get this Rs.400 to Rs.500 crores, is a normal level.

P.S. Patel: That was the reason we are enabling this QIP, so that would be further option of going with this. If a case goes on for arbitration for further one year, then we need some money to ease out the other process and getting the working capital smoothness. So that is the reason in reducing our interest cost. That was the reason to enable this QIP.

Shravan Shah: The unbilled revenue is how much? And the CAPEX for the full year is how much? Nine months number we have. for the full year, how much we are looking at?

Hetal Patel: I have already mentioned this amount in my speech, but I repeat it. Net unbilled revenue is Rs.409 crores and CAPEX we have incurred during the nine months is Rs.142 crores.

Shravan Shah: For fourth quarter, how much more are we looking to do CAPEX?

Hetal Patel: See, that depends on the initiation of the project and we may require around 2% to 3% of additional CAPEX for the new projects.

P.S. Patel: Basically, we are in the process of starting 2 or 3 large projects. One is the Gatishakti 630 crores and the Dharoi and Sabarmati Riverfront of Rs. 400+ Crores. At the two projects Dharoi and Sabarmati Riverfront, that will not require much of the CAPEX,

but yes, at the Gatishakti site, we may require, but probably that will be also in the initial stage of foundation doing diaphragm wall and escalation and that's going to be the basement. So I don't see much investment on the CAPEX for this large project.

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

Parikshit: Why is that SDB not paying you money, what is the contention, why is it blocking all, withholding the money?

P.S. Patel: Basically to understand is that we have completed the project in March 2020. We got virtual completion in June 30, 2022. So probably till that time overall the scenario was good. They completed and also they have certified and approved some of the bills which we have already claimed in our books also. So, when they saw the claim in detail and by going through some of the legal process, they must have understood that they are not eligible to pay such a large claim. So then they started putting on hold the existing money, so that we come to a conclusion very easily with them so that because Rs.150 crores will be on hold. They are trying to push in a way that I come to compromise easily for the 500 crores claim, that must be the reason. Otherwise, there is no point because in our claims also we are very clear and it has been approved and only the certification is not done about Rs.150 crores, rest everything is on claim side, that is the dispute that they can always say that is the dispute which can go to arbitration, but again there is a clause of price escalation after force majeure. So they understand the our point of view is very clear. But since they have initiated to fight, now they are understanding day-by-day on the hearing, when the hearing are going on in sessions court, they are able to understand that we are very clear on our terms and conditions of the contract.

Parikshit: On the UP projects, we have Rs.141 crores, which we have to receive, and we have claims. So what about the UP projects like how much is the pending which is withheld there?

Hetal Patel: We have received that amount in January month. The December outstanding receivable is Rs.129 crores, so December invoice has been paid in January and February initial first.

Parikshit: Against the full year of revenues, you have executed around Rs.129 crores is pending you're saying?

- Hetal Patel:** Yes, right, as on 31st December.
- Parikshit:** And you said that because of UP projects now getting over, about Rs.60 - Rs.65 crores is left. So once that is done, you will come back to your historical margin, which I think you are guiding in the range of 11% to 12%, right? Is the understanding right that from first quarter of next year you should be back to 11% to 12% EBITDA margin?
- P.S. Patel:** Yes, we should expect that.
- Moderator:** And the next question is from the line of Adnan from Bastian Research. Please go ahead, sir.
- Adnan:** First one was on debt. So I think a couple of quarters back in the conference call we discussed that once the UP project gets over, there will be a substantial reduction which will take place as far as debt is concerned. Now that the UP project is on the verge of getting completed, can we expect Rs.150 crores odd respite in debt in the coming two quarters, is that a fair understanding to go forward with?
- Hetal Patel:** So, as sir has already mentioned in a reply for your question, see, this debt level increased is mainly due to the amount stuck up with SDB and the routine UP bills are being paid in around 1 or 1.5 months or so. So that type of working capital is required till the UP projects are over and SDB matter is sorted out.
- Adnan:** Yes, that's what I'm asking. So once the UP project is over, can we see a substantial reduction in debt taking place maybe in the next couple of quarters?
- P.S. Patel:** Yes, of course we can expect that.
- Adnan:** Second one was on the Surat Diamond Bourse only. So there are two amounts. One is this Rs.140 crores amount and one is this around Rs.500 crores of some other demand. So can you just help me understand what is this Rs.140 crores pertaining to and what is the Rs.500 crores pertaining to? I'm really confused there.
- P.S. Patel:** Total is Rs.532 crores which includes this Rs.140 crores. So Rs.140 crores, which is already booked in the books and the rest of the things which are disputed claims which is a part of this Rs.532 crores.
- Adnan:** Understood Sir.



PSP Projects Limited

PSP Projects Limited
February 09, 2024

- Moderator:** The next question is from the line of Devang Patel from Sameeksha Capital. Please go ahead.
- Devang Patel:** Firstly, you mentioned in the bid pipeline a few 1,000 crore projects in Delhi including the airport project. So on this 1,000 crores projects, are we bidding on our own 100%?
- P.S. Patel:** Yes, all the projects of the larger size, we are qualifying and we are bidding our own, there is no JV in that.
- Devang Patel:** And the airport project also, we will be qualifying on our own?
- P.S. Patel:** Yes, of course we are qualifying, so we are bidding.
- Devang Patel:** Secondly, on this Surat Diamond Bourse, could you give some timeline on how things are progressing? At one point you mentioned by March we might be getting some amount back.
- P.S. Patel:** No, it is not like that. So there are two things going on. One is the Section 9 which is related to safeguarding our money when we go to arbitration. So even if the Section 9 is to be concluded before 5th of March as per the court understanding, so before 5th of March they have to give us a decision that how much money they are pushing the client to withheld or they will ask the client to put the bank guarantee. So once they understand about this Rs.532 crores claim, they may ask Surat Diamond Bourse to put Rs.100 crores, Rs.200 crores or maximum 300 Crores. That will be in form of bank guarantee or a lien to a property which is not sold. So that's first part. Second part is after this hearing, the client may consider when the facts are little bit true, if they come to conciliation part, then the whole story can be concluded and if they are ready to accept and we are ready to negotiate, then that can end up in March. But, if these things does not happen on the conciliation part, we will have to go to arbitration and that arbitration process is going to take minimum one year.
- Devang Patel:** Secondly, on the debt reduction, earlier, I think in the last call we were looking debt coming down to Rs. 300 crores by March. How does it look now with what has happened in the last quarter?
- Hetal Patel:** Yes, I have already mentioned that short debt level is around Rs.400 crores.
- Devang Patel:** Are we expecting some reduction in the next quarter because as you mentioned Rs.129 crores has come?

- Hetal Patel:** See, it depends on the moment of money receivable from UP projects. So if the cycle goes fast, then we'll be utilizing less as compared to this one.
- Devang Patel:** Lastly, because the UP project will get completed and I think you indicated earlier in the closing stages, we will book higher margins, is that still possible that the UP project getting over, we will have higher margins from that project?
- P.S. Patel:** No, it's not about higher margin. It will be in the range of what we are focusing on, what we have been understanding from the tender bidding which we do. We should be in the range of 11% and 12% or maybe 11% and 13% what you people always say. So, in my view it will be in the range of 11% and 12%.
- Moderator:** Next question is from the line of Rushabh Shah from RBSA Investment Managers. Please go ahead sir.
- Rushabh Shah:** This Lulu Mall is going to come up in Ahmedabad with a project cost of around Rs. 4,000 crores. So are we bidding for that or is bidding completed, any status from this project?
- P.S. Patel:** You are talking about the sports complex?
- Rushabh Shah:** Lulu Mall project, India's largest mall project.
- P.S. Patel:** Yes, there is a project, but it cannot do of a size of Rs.4,000 crores, but that can be a rumor. But yes, there will be a process wherein we will participate, but as of now, nothing has come from the client side, we have not heard about the tender yet now. But yes, the Lulu Mall is announced and the place is already defined. So probably that that may come in the later stage after March.
- Rushabh Shah:** So what is the total size of the project that we may be able to bid for out of the total project?
- P.S. Patel:** So I think that is the 4,000 crores maybe the total investment which mall people have announced So that includes land and then total fit outs and everything. So probably the size of the project should be in the range of Rs.500 crores to Rs.1000 crores as far as civil part is concerned.



PSP Projects Limited

PSP Projects Limited
February 09, 2024

- Rushabh Shah:** Regarding this SDB, have you provisioned so far or everything is just currently standing in the books in terms of reversal of debtors or anything, any entry been done in the book so far?
- Hetal Patel:** No, it is standing in the books. There is no provision. We have already mentioned in our notes that we are hopeful of recovering this amount.
- Rushabh Shah:** You mentioned that post March, the things may go forward whether an arbitration or conciliation, and if you choose to go for arbitration, then things can go for one year also. So, what stand will we take, will be interested more in settling the matter or will we be keen to delay the matter and wait for one year for the money to be received?
- P.S. Patel:** That depends because it is more about the disputes that we have raised and what are the things which can be negotiated. So that depends on client's intention then only we can say. As far as the client is concerned when say that let us negotiate at Rs.50 crores, we are not ready. So it depends on what type of the conciliation client would like to go and what are the strong claims which are positive as per the terms and conditions in the contract. So, we will stick to that. We are inclined towards conciliation, but not at the sake of any money.
- Moderator:** The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Hetal ma'am, what's the total debtors on December and trade payables?
- Hetal Patel:** Yes, as on December, the debtors are Rs.481 crores and trade payables are Rs.462 crores.
- Shravan Shah:** And the inventory you mentioned is Rs.269 crores?
- Hetal Patel:** Yes, right.
- Moderator:** The next question is from the line of Vaibhav Shah from JM Financial Limited. Please go ahead sir.
- Vaibhav Shah:** So what is our Precast revenue in the first nine months?
- P.S. Patel:** See, we don't have a figure which is related to Precast because it is on the both level, some of the orders are from a different client and some of the orders we execute from

our existing orders which are related to civil work. So exactly we cannot declare as of now or we are not getting the right figure exactly when we generated from Precast till now. But overall, we were expecting that we should be able to generate evenly over Rs.180 crores from the total facility after the end of the year.

Vaibhav Shah: Ballpark, what margins are we expecting for the whole year from Precast?

P.S. Patel: At the initial stage, we were just trying to push it in the market and let the people understand. Now, if you have heard some of the figures, lastly, we were able to do 12 lakhs square feet of warehouse facility in the last 12 months. We have done so many compound walls which was also at the speed of 1 Km per month. So things are now getting materialized and now people are accepting this technology. So, on a longer run we will be trying to stick to our margins of 11% and 12%. And on the later stage, again, when this technology is universally accepted and there is a shortfall and people requiring works to be completed before time or on time, they will be paying us more. So, at that time we can increase our margins of 3% or 4% higher.

Vaibhav Shah: So currently we are EBITDA-positive on the Precast?

P.S. Patel: Yes, presently we are EBITDA-positive, but not to that level what we are saying at 11% and 12%.

Vaibhav Shah: Out of the Rs.142 crores CAPEX we have done in the first nine months, what has been done for Precast?

Hetal Patel: Rs.74 crores.

Vaibhav Shah: And I missed the number for CAPEX on fourth quarter.

Hetal Patel: That is Rs.34 crores.

Vaibhav Shah: Next year, what are we expecting in terms of CAPEX?

P.S. Patel: Again, every year, if you see our total frequency, it is in the range of 3% to 4% of the total revenue. So, if we are considering next year as Rs.3,000 crores, it will be in the range of the 100 to 100 plus crores.

Vaibhav Shah: And it includes anything on Precast for FY'25?



PSP Projects Limited
February 09, 2024

P.S. Patel: Precast, again, now presently we have full-fledged facility of doing the work for infrastructure and for the building. So as of now we are not seeing any possibilities to invest, but if there is a large order in terms of infrastructure, for which molds we are not having. So we may go for such type of order if the order is large. But as of now, we are not seeing any large CAPEX to come in Precast.

Vaibhav Shah: What is the capacity utilization of Precast plant currently and what is the exact capacity?

P.S. Patel: Presently, as I said that we did 12 lakhs square feet of warehousing facility in a year, but our total plant capacity is about 30 lakh square feet per year. So presently our utilization is in the range of 40% to 50%.

Vaibhav Shah: So at maybe 80% utilization, we can clock 11%, 12% margins?

P.S. Patel: Yes.

Moderator: The next question is from the line of Dinesh Kulkarni from RDST. Please go ahead sir.

Dinesh Kulkarni: Just one question like we see most of our projects are being executed in Gujarat and largely in UP. I just want to understand what's our thought process, why are you not looking at other states which are coming up or even Maharashtra for that matter like, are they not good enough projects?

P.S. Patel: It is not about the region which we are not coping or it is not about the region which we are keen to go. It is more about the opportunity and type of project we bid. So presently what order book which I have said that we are going to bid for Delhi, we are going to bid for again UP and there are a few projects which we are going to bid for Odisha also. So it depends on the type of project and the size of the project and the qualification criteria of the project we always think about the state of the project.

Moderator: I now hand the conference over to Mr. Shravan Shah.

Shravan Shah: I thank the management for giving us the opportunity to host the call and thank you all the participants. P.S.sir, do you have any closing comments?

P.S. Patel: Yes, Thank you, Shravan, for organizing this call. So, on behalf of the management of PSP Projects, thank you for joining us on our earnings call today. Thank you for your support and trust in us. We hope that we have been able to address most of your queries.



*PSP Projects Limited
February 09, 2024*

In case of further queries, you may reach out to our investor relation advisor – Ernst & Young and they will connect with you offline. Thank you, Shravan Shah, Dolat Capital for hosting our call.

Hetal Patel: Thank you, everyone.

Moderator: On behalf of Dolat Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
