PSP Projects Limited

Q1 FY '25 Earnings Conference Call

August 02, 2024

MANAGEMENT: **MR. P. S. PATEL – CHAIRMAN, MD & CEO**
MS. HETAL PATEL – CFO
MR. KENAN PATEL – CS

MODERATOR: **MR. BHARANIDHAR VIJAYAKUMAR – AVENDUS SPARK**

Moderator: Ladies and gentlemen, good day, and welcome to PSP Projects Q1 FY '25 Earnings Conference Call, hosted by Avendus Spark. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 an assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bharanidhar Vijayakumar from Avendus Spark. Thank you, and over to you, sir.

Bharanidhar Vijayakumar: Thanks, Manav. Good evening, everyone. Welcome to the Q1FY '25 Earnings Call of PSP Projects. From PSP projects, we have Mr. P. S. Patel, Chairman, MD and CEO; along with Ms. Hetal Patel, Chief Financial Officer. Without further ado, I'm handing it over to the management, Kenan Patel, Company Secretary of PSP Projects to give initial remarks and post which the management by P. S. Patel Sir would give their initial remarks, post which we will open it for Q&A. Over to you, Kenan.

Kenan Patel: Thank you, Bharanidhar, and good evening, everyone.

I am pleased to welcome you all to PSP Projects Limited earnings call for analysts and institutional investors to discuss Q1FY25 financial results.

Please note, a copy of the disclosures is available in the Investors section of the website as well as on the stock exchange. Anything said on this call, which reflects the outlook for the future, or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

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

P. S. Patel: Thank you, Kenan. Good evening, everyone and a warm welcome to the Q1FY25 earnings conference call of PSP Projects Limited.

As on Q1FY25, the outstanding order book was to the extent of Rs.5,890 crore, a YoY growth of 11%.

During Q1FY25, the order inflow was to the extent of Rs.297 crore, major order received was Rs.229 crore for the construction of Palladium Mall, Surat.

During the quarter, the company clocked a revenue of Rs.612 crore, 20% YoY growth. The EBIDTA was at Rs.73 crore, 14% YoY growth with an EBIDTA margin at 12%.

Let me start by highlighting the project level updates across the major on-going projects:

- Surat Municipal Corporation Highrise Building - As we all are aware, after the election, there was a little bit scarcity of labour in the first quarter and presently also there is little bit disturbance since last 15 days because of huge rain in Gujarat. So Surat municipal Corporation Highrise building project is going on there. Now the labour stand has fully mobilized. As such we have reached to third floor of the above the basement and probably still we expect that now the project will go smoothly.

- Dharoi Dam - We have both the facilities are now again after the monsoon a little bit disturbance must be there, but labour force is sufficient and the project is also going in the full force.

- Gati Shakti Vishwavidhyalaya - Almost we are through with the excavation and foundation and everything. So now the status of the work is that full labor is available and we can go forward with the pool bang.

- Sports Complex: Almost the success part of the project is over. We have already completed a C&D block, B&D block and A&C block is in personal focus, and we expect the project to be complete by October or November maximum, but the stipulated timeline for the project is October, but probably it may go extended up to 1 month or 2 otherwise the project is on track.

During FY24, majority of the orders i.e. 70% of the orders were either awarded or received letter of acceptance in Q4FY24, hence, several projects such as Rs.399 crore of Sabarmati Riverfront, Rs.333 crore of Fintech Building at GIFT City, Rs.260 crore of Human and Biological Science Gallery at Science City, etc. These projects are currently under initial phase of execution and shall pick up pace starting Q2FY25.

As far as our on-going projects are concerned, all our projects are working as per execution cycle and none of our projects are stuck or slow moving at the moment.

Our current bid pipeline is to the tune of Rs.6,000 crore. We are confident and optimistic to achieve our order inflow guidance for FY25. Our key focus for this financial year will be on smooth execution of all our on-going projects and ramp up our order book with new projects in buildings space. With certain recently concluded projects, the company has become eligible to bid for projects across spectrum viz. sports complexes, tourism projects, airport projects, railway station, temple projects, realty development, etc. We forsee decent orders flowing in and our prime focus would remain on execution and delivering the projects in timely manner.

With this, I conclude my remarks and would like to handover the call to our CFO, Ms. Hetal Patel to take us through the financial highlights in detail.

Hetal Patel: Thank you, Sir. The financial performance during the quarter ended June 30, 2024 is as below:

Q1FY25 vs Q1FY24

- Revenue from operations for the quarter is at Rs.612 crore vs Rs. 510 crore, increased by 20 % YoY basis

- EBITDA for the quarter is at Rs. 73 crore vs Rs. 65 crore, increased by 14% YoY basis.

- EBIDTA Margin is at 12% vs 12.69%.

- Net profit for the quarter is at Rs. 34 cr vs Rs.37 crore, reduced by 7% YoY basis.

- PAT Margin is at 5.56% vs 7.13%.

During the quarter, company has booked revenue of Rs.64 crores from SDB project and with this total cumulative revenue from SDB project is arrived at Rs.1960 crores. Unbilled revenue of Rs.53.80 crores has been billed now and an invoice with gross value of Rs.117.89 crore (with GST 139.11 crores) is submitted to the client during the quarter. As on June 30, 2024, receivable from SDB stands at Rs.225.37 crores. In the first week of July, company has received Rs 104 crore against the first tranch as per the settlement agreement with SDB.

The additional revenue from SDB has largely contributed to increase in EBITDA margin, but at the same time company had to incur higher expenses due to escalation in material prices and site overheads to the extent of Rs.25 crores during the quarter which affected the EBITDA level to that extent.

Further, projects awarded in Q4FY24 eg. RVNL, SRFDCL, Fintech bldg., dharoi dam, science city etc are at the initial stage of the execution and did not much contribute to the EBITDA.

The consolidated revenue generated from 7 UP Projects was Rs.10 crores during Q1FY25. Cumulative revenue is Rs. 1469 crore.

Out of total sanctioned credit facilities of Rs.1497 crores, company utilised Rs.974 crores and Rs.523 crores available for utilisation. The performance bank guarantee of Rs.78 cr issued to SDB was received back in the quarter and to that extant the utilised limit was released.

Fund based utilisation Rs.206 cr

Non-fund based utilisation Rs.768 cr

As on June 30 2024, The company has total fixed deposits of Rs.264 crores out of which lien free deposits of Rs Rs.47 crores, FDs worth Rs.209 crores are under lien with Banks for credit facilities and FD worth Rs.8 crores are given as security deposit to clients.

Work on hand as on June 30, 2024 is Rs.5,890 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: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Ma'am, how much EBITDA margin we have booked on INR64 crores in SDB revenue for this quarter?

Hetal Patel: See basically, there are not much expenses but yes we incurred certain administrative expenses, some maintenance expenses and some legal expenses. So around INR9 crores to INR10 crores we have to incurred. So you can consider INR54 crores as the EBITDA margin.

Shravan Shah: So entire INR64 crores revenue is this kind of flow to the EBITDA margin?

Hetal Patel: No, no, INR54 crores

Shravan Shah: Therefore, if I take that out, the core EBITDA margin will be at 3.5%. This raises two questions: as you pointed out, the INR25 crores additional funds allocated to the UP Medical projects. So, what's remaining for further expenditures or any other initiatives that might incur additional costs, given that this 3.5% core EBITDA margin is likely at its lowest historical level. Now, how do we understand now?

P. S. Patel: Shravan, you're absolutely right, 3.5% is lower than what we expected. But as I said in the December quarter also, the last quarter from January to March, we were in the process of ending. There were still some materials which were yet to be purchased and yet to be installed as far as MEP is concerned. Few of the cost had already been allocated to the MEP aspect. Throughout these 3 months, the project was to be completed by March, but during this process of first quarter of there was a slight increase in costs and overhead. Third part was more related to some of the quotes which were not touching, there was a little bit technical confusion in terms of whether scope was in our scope of work or not. That was also to be executed because that was more or less hampering the overall process.

So all put together, extra cost was INR20 crores to INR25 crores, significantly affecting the EBITDA margin. Therefore, we could consider spending not more than INR5 - 10 crores, in the next quarter.

Otherwise, none of the projects has carried these types of expenses. But all other projects are in and this is what I always envisaged and I was expecting because, as I said, the project started initially in the month of March '21 just after corona and there was no escalation on this project and things have become escalation, which we never expected to such a large extent on the project. The time line has gone a little bit high. So all put together, this happened in this quarter, but we assure it will not happen much longer in other projects.

Shravan Shah: So now onwards, in terms of our earlier guidance of 10% to 11% EBITDA margin, can we start seeing improvements from the second quarter itself?

P. S. Patel: Yes, we can expect, but I too expect as I said there can be some expenses to the last quarter, which is the closing quarter for UP. So there can be some expense, but not to this extent, but that can interfere to some extent but otherwise we can expect 10% to 11% of all throughout the projects.

Shravan Shah: Okay. And in terms of the revenue level, so excluding this SDB, so core level, it is 7.5% kind of a growth, if I look at. So we were looking at last time, say, it 15% kind of growth. So if I remove this INR64 crores and the core, so we are still maintaining that 15% revenue growth on the core level at revenue?

P. S. Patel: See INR2,800 crores, which is what we have thought of for this year, and I definitely feel that we should be in position to reach to INR2,800 crores.

Shravan Shah: Okay. Okay. Great, sir. A couple of things. First, actually, if you can help me in terms of the bid pipeline, how the bid pipeline and a couple of the major projects of that. And then I have a bookkeeping data points.

P. S. Patel: I think we have already said that there is about INR6,400 crores of bid pipeline. Out of which,

S.No	Project	Estimated Cost (Rs. In Cr)
1	Commercial Project at Noida	1,800.00
2	Power Plant at Raipur & Raigarh	700.00
3	Industrial Plant at Sanand	500.00
4	HighRise Residential at North Delhi	400.00
5	Delhi Transportation Colony at Delhi for NBCC	445.00
6	Development of Indore Railway Station	450.00
7	Residential project at Mumbai	400.00
8	Industrial Plant at Sanand Ahmedabad	300.00
9	Iconic Road Development for AMC	350.00
10	Sabarmati riverfront Infra Project at Ahmedabad	250.00
11	Commercial Tower at Bangalore + Hotel	400.00
12	HighRise Residential at Gurugram	230.00
13	Corporate office at Surat	100.00
14	Development of PDEU - Gift City Road for GMC	104.00
	Total	6,429
Percentage - In Gujarat		25%
Percentage - Other State		75%

Moderator: Sorry to interrupt Shravan sir. May I request you to please rejoin the queue as there are several participants waiting for their turn? We have our next question from the line of Ketan Jain from Avendus Spark.

Ketan Jain: Sir, my first question is on the margin. Given the first quarter margin at 12%, what margin can we expect for the whole year basis adjusted for the SDB receivables?

P. S. Patel: See now. the receivable is not going to impact our margins, as the bills are already booked. Therefore, the margins we've been operating on have remained between 10% and 11%.

Ketan Jain: So you're saying 10% for the rest of the three quarters?

P. S. Patel: Yes.

Ketan Jain: We can expect that?

P. S. Patel: Yes.

Ketan Jain: Okay. Sir, my second question is on how much money is yet to be received from Surat Diamond Bourse and when will we receive it? Like what is the timeline?

Hetal Patel: Yes. We have still to receive INR121 crores from SDB, and mainly timeline will be by end of like October '25. So, they will try to pay it earlier, but latest by October '25, and there will be four tranches remaining.

Ketan Jain: Okay. But is there any dates in between when they will receive or they can give it at any time between from now until October 2025?

P. S. Patel: They have given the clear timeline on which we have to raise the payment request, so it is on a predefined time, but the time has been divided till October '25. If the sales of the office goes little bit faster, they can give us early, but these are the latest timelines they have given.

Ketan Jain: Understood, sir. Sir, my last question is, there was a project commercial building at GIFT City of INR118 crores, which was there in the last presentation. It is not there. What is the status of it now?

Hetal Patel: Yes, see, we are mentioning high-value projects only in the presentation. So that has fallen below. That remaining order value has fallen below.

Moderator: We have a next question from the line of Adityapal from MSA Capital Partners.

Adityapal: Just have a couple of questions. So, when we look at UP, we booked INR25 crores as an expense. What will be the expenses and revenues that we are looking at Q2?

P. S. Patel: See, UP, now the work is not too much left. It will be in the range of INR25-30 crores which we have to build. So probably, the overhead and if anything which has been left out, which we have to pay more on part of the execution, I presently expect that, obviously, there cannot be more difference between INR5-10 crores.

Aditya Pal: Okay. Understood. And sir, we recently raised an equity around of INR244 crores and we also received some money from Surat Diamond Bourse. So what would be our debt outstanding as on date?

Hetal Patel: Yes. So basically, this SDB money we have received in the first week of July, so that is not included in numbers. Yes, we have utilized around INR200 crores of fund-based facility and that includes some LCBD discounting of around INR70 crores. So once we have paid off, we have utilized certain amount for our routine working capital requirement.

Aditya Pal: So the debt has reduced by how much? If you can just quantify that number?

Hetal Patel: Yes. I have already said it's around INR200 crores we have used fund-based facility.

Moderator: We have our next question from the line of Vaibhav Shah from JM Financials. Please go ahead.

Vaibhav Shah: Sir, previously, you had mentioned that the pending receivables from SDB should be coming by March '25. So that has been delayed to October '25, correct?

P. S. Patel: No, I think that can be a mistake because right from the first day, it was more than 12 months, but I was saying that was my mistake. It has never been agreed as March '25. But in the final agreement, which we have received on that time when we settled the whole issue, it is still October '25. That I said just because they agreed by -- they said me orally. They will try to make sure that it is being done before March '25 if their offices are sold as per their thought.

Vaibhav Shah: So is there any scope of further delay or October '25 is the final deadline?

P. S. Patel: No. It is not that is to be finally agreed. On that day, even if the offices are not sold, they are paying.

Vaibhav Shah: Okay. So irrespective of the sale of offices they will be paying us money by October '25?

P. S. Patel: Yes, sale of offices is only related to our requirement that they can give us early. If the offices are not sold until October '25 they are committed for October '25.

Vaibhav Shah: Okay. Sir, and secondly, what would be the outstanding debt as of June '24? As of March, it was around INR455 crores.

Hetal Patel: Yes, I have already mentioned bank borrowing is around INR200 crores.

Vaibhav Shah: So we have repaid almost INR250 crores?

Hetal Patel: Yes. In that, we can add the INR60 crores of directors' loan that was still outstanding as on 30th June but now that has been repaid out of the receipts from SDBs.

Vaibhav Shah: I didn't get Madam. Directors' loan you mentioned?

Hetal Patel: Yes, INR60 crores directors' loan which was outstanding as in March.'24 So that was still outstanding as on 30th June 2024 but that has been repaid once we received the money INR100 crores from SDB.

Vaibhav Shah: As on June closing, it would be INR260 crores but now it is INR200 crores?

Hetal Patel: Yes, right.

P. S. Patel: Yes.

Moderator: Thank you. We have our next question from the line of Navid Virani from Bastion Research. Please go ahead.

Navid Virani: So firstly, just wanted to understand about the SDB receipts. So if my memory serves me correct last time there are INR220 crores to be received from the Surat Diamond Bourse. Is that understanding right?

P. S. Patel: INR220 crores, yes, that's right. INR225 crores.

Navid Virani: Okay. And I think that was including GST, INR225 crores. So currently, we are able to reconcile INR185 crores, so INR64 crores we have already received and INR120 crores something which we are expected to receive going forward by October '25. So I couldn't understand where the rest of the amount went over?

Hetal Patel: No. See, we just received INR104 crores. And still INR121 crores is to be received in 4 tranches. So out of that INR104 crores, we have repaid INR60 crores of loan of directors. That's what we were saying.

Navid Virani: That's helpful. And last question regarding the UP project. So sir, if I was able to understand your answer to the previous question, right, you were saying that we are still expecting an INR5 -10 crores kind of a pressure more on EBITDA in Q2. Is that understanding correct?

P. S. Patel: Right.

Moderator: Thank you. We have our next question from the line of Deepesh Agarwal from UTI AMC. Please go ahead.

Deepesh Agarwal: Yes. So if I adjust the Surat Diamond Bourse impact and the write-off which you have taken in the UP project, so your EBITDA may come around to INR40 crores, which could be a recurring EBITDA. If I look at compared to your revenue, that gives us almost like a 7% kind of an EBITDA margin. So what was wrong during the quarter?

P. S. Patel: As I said, it is more related to the expenses and the escalation which incurred. And whenever you are booking the bids, it is more related to cost to complete. Our cost of completion has gone a little high. Overheads has gone a little high. We were not expecting too much work to be carried out in the month of this first quarter.

So that overhead has also prolonged and escalations on MEP site has impacted the cost. And some of the scope, which we are a little bit confusion whether it is a part of the contract or not, also has to be executed because we wanted to close the project and get out of it and had over the projects, all put together has impacted to this extent.

Deepesh Agarwal: These expenses are more to do with UP or beyond UP also?

P. S. Patel: No, it is absolutely for UP.

Deepesh Agarwal: So if I make that UP adjustment also of INR20 crores which Ma'am mentioned, then also your margins are most significantly on a lower side.

P. S. Patel: No, if we not put that INR25 crores, it will be in the range of 9%.

Hetal Patel: Yes. See, basically, INR73 crores is the total EBITDA. If you remove INR54 crores contribution from Surat, so around INR19 crores to INR20 crores is from the regular provision. So if we add back that expense, it will be INR45 crores we can say. And that margin comes to around 8 to 9%.

And as we already mentioned, during the quarter, we have started high-value projects which were awarded in quarter 4. So this major project impact also because they are on the initial stage of that execution, it should not generate that much EBITDA. So that also contributes to the lower side EBITDA margin.

Deepesh Agarwal: Okay. So incrementally from Q2, given UP is largely that we should move towards that 10%, 11% margin with guidance?

P. S. Patel: Right.

Deepesh Agarwal: Okay, thank you.

Moderator: Thank you. We have our next question from the line of Adityapal from MSA Capital Partners. Please go ahead.

Adityapal: Sir, just want to understand, historically, we were anywhere between 11% to 12% if I look at over the last 4 years, 5 years of data. And now we are guiding anywhere between 10% to 11%. What has changed has the labor cost increase, are we bidding for contracts more aggressively? So I just want to understand what is the management's thought process on this?

P. S. Patel: See it is not about the overall cost which has gone high. There are a few risks on an EPC project or there are few risks on a contracting firm, when the things are not falling exactly to what we expect. So some of the projects may get extend, your overhead may can go high. During some season there is no labor, so due to workforce scarcity you are not getting the revenue based on your overheads. So keeping all these risks it is better to have consideration of 10% other than 11% and 12%.

Adityapal: Understood. Sir, what I'm able to understand that nothing has changed. Is it that you're guiding it lower so that we are able to match the expectations?

P. S. Patel: May you can consider that way.

Adityapal: Understood. And sir I also wanted to understand so now that we move -- so excluding UP -- UP is done and dusted. Excluding UP now when we move to the higher margin of the -- in the project phase, so the EBITDA margin will come up from here, is that fair to understand?

P. S. Patel: You should not consider that way because we should consider to the extent of 10% to 11% which I already said because as I said and as hetalben already mentioned that in the first part of the projects which were actually given in the last quarter of 2024 could not gear up in the first phase of the construction and could not generate EBITDA. So such types of risks we can't envisage all the time and this may impact the overall EBITDA margin on an average level, so we are considering it at 10%.

Adityapal: Understood. And sir can you give me a bit colour on when can you see that you will start to see new fresh order inflow from?

P. S. Patel: Yes, there are few orders which we are expecting to confirm that in the presently it is at near to closer. So we expect one or two orders maybe in next 15, 20 days or maybe by August end.

Adityapal: Understood. Thank you so much for opportunity.

Moderator: Thank you. We have our next question from the line of Saif Sohrab from ICICI prudential. Please go ahead.

Saif Sohrab: Sir, first question is on precast. Can you help us with currently how is the order book on precast side and what new orders are you looking at and the utilizations of precast currently?

P. S. Patel: See, presently, compared to last year the overall market from the precast is good. Last year we were able to do about 12 lakhs square feet of warehousing facility. We are now focusing a little bit more on building sites. We have one or two orders on building sites which we are going to execute in this year. So in general if I say the precast business is now gearing up.

At the same time some of the large corporates like Reliance, Adani, these people are also now considering precast as the acceptable technology to move faster because there is always a little bit failure on the project because of the consistency of labor availability and the seasonal issues. So I am a little bit positive now and factory is going out with full force now. We are having sufficient orders. I don't know the exact figure. I will come back to you what is the exact order inflow of Precast.

Saif Sohrab: But how much would be the current utilization level, sir for precast?

P. S. Patel: I think this year we were able to make a revenue of INR180 crores out of precast. So probably this year we should be in the range of INR200-250 crores.

Saif Sohrab: Okay. And sir second question just if you can repeat about the UP projects and going ahead in Q2 what do you expect both on revenue and expenses and that would be a net impact on EBITDA?

P. S. Patel: On the revenue side, I believe we won't need to record more than INR30 crores in revenue from this point forward. Regarding the expense side, while the expenses remain consistent, there's a slight decrease in overheads as all the buildings are nearing completion of their process. Therefore, the effect of this quarter's performance on the second quarter will likely be minimal, ranging from 5 to 10, or possibly none at all. Additionally, all other projects, except for UP, are not facing issues with rising prices or increased overheads. Thus, clarity should be achieved by the second half.

Saif Sohrab: So balance revenue would be INR20-30 crores and against that balance expenses, overheads which maximum you would book as in P&L would be?

P. S. Patel: Maybe an extra cost of INR8 crores to INR10 crores. So we see this INR20-30 crores which can be INR30-40 crores maybe in the range of expenses.

Saif Sohrab: Sorry expenses what range you mentioned 20 to.?

P. S. Patel: INR30-40 crores.

Saif Sohrab: Okay. Understood. Thank you sir and all the best.

Moderator: Thank you. We have our next question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir a couple of data points. So on the balancing front so I need the retention money, mobilization advance, unbilled revenue and then the debtors inventory and creditors as on June?

Hetal Patel: See we haven't yet finalized the balance sheet number. It is more or less the same. Only unbilled revenue have reduced because INR53 crores of SDB we have transferred to GST bill trade receivable and all. Otherwise, most of the data are similar. We haven't yet finalized exact number.

Shravan Shah: Okay. So unbilled revenue as on March was INR442 crores. So you are saying so out of that how much is lower INR64 crores?

Hetal Patel: Yes, INR53 crores was included in unbilled revenue and that we have billed. As I have already mentioned along with INR64 crores additional revenue we have billed INR53 crores also and total GST invoice of INR117 crores we have issued to the plant.

Shravan Shah: Sorry, ma'am, but normally because these are the relevant data just to understand in terms of how the balance sheet and the working capital is moving because that's the way we normally used to share for last so many quarters. So I'm not able to understand what's –wrong to sharing this basic balance sheet numbers?

Hetal Patel: We haven't yet audited those numbers. At this time we haven't finalized those figures because normally what happens trade receivables we arrive at after adding the retention which is already due. And balance sheet we're not required to be given, but yes we can share you at a later stage.

Shravan Shah: Okay. Got it. So all the data points and now in terms of the capex how much we have done in the first quarter and how much we are looking at for full year?

Hetal Patel: Yes, we have done around INR17 crores in the first quarter. So as we are putting this into the board. So we have these numbers and INR17 crores we have already done and you can take it multiplied by 4 or more or less around INR60 crores projected capex during the year.

Shravan Shah: Okay. And we have repaid the debt so just to even clarify on that part also because it seems the previous participant have asked, but you mentioned that INR200 crores is a gross debt as on June. Out of that we have repaid INR64 crores Directors loan. So now that number is close to INR136 crores

Hetal Patel: No, I'll just correct it. It is INR260 crores debt as on 30th June. We have paid INR60 crores once we received with the SDB and it is INR200 crores as of today. See it is like bill discounting facilities and FDOD what we are utilizing. So it will change every day. We cannot say today also it will be the same amount. It is part and parcel of working capital requirements.

Shravan Shah: Okay. And in terms of now the debt has reduced, so this quarter we were having the INR13-odd crores kind of finance costs similar to the last quarter. So how do we see in terms of this number of finance costs going forward?

Hetal Patel: Yes. It is reduced by around INR1 crores. It should have been reduced, but if you see finance cost also includes bank guarantee charges. So this time we have issued bank guarantees of all those new projects. So earlier projects' bank guarantee charges already continued and this additional new projects, high-value projects, bank guarantee charges have also with the finance cost. So to that extent, that has been on higher side.

Shravan Shah: So similar INR13 crores kind of a run rate can continue for remaining 3 quarters, or will it reduce?

Hetal Patel: Yes, we can see.

P. S. Patel: It will be little bit less.

Hetal Patel: It will be a little bit less In terms of this SDB bank guarantee also because we have already received back as on 30 June. So from July onwards, that charge will not be there. And to some extent, other bank guarantees we may also receive on an interest.

Shravan Shah: Okay. Just trying to understand, I thought that this will reduce by about INR67 odd crores on quarterly basis. So that will not be the case?

Hetal Patel: No. See, because what happens, we are utilizing this FDOD facilities also. So that interest also comes in finance cost. At the same time, we look this FD income in our other financial income. So if we net off that, then it will be on a similar case.

Shravan Shah: Okay. And sir, this Surat project, so for the last, almost 1.5 years is already there. It has in terms of the revenue booking just INR192 crores. And even this quarter also, it was just INR25-odd crores. So this full year, in 9 months, how much more revenue are we looking to book from this Surat project?

P. S. Patel: I think for total project, we should be in a position to book INR350 crores to INR400 crores because now the finishing item has started and we have moved to 4 basement and 4 stories of podium level. Now we are moving towards typical floor. So now all the activities have now been finalized, samples are already approved. So the other activities and MEP will fall in line. So we should expect INR300 crores to INR400 crores.

Shravan Shah: And the next, sir, FY '26, will it be significantly higher, INR600 crores kind of a number?

P. S. Patel: Yes, lastly, it will be there.

Moderator: We have our next question from the line of Vaibhav Shah from JM Financial.

Vaibhav Shah: Sir, for UP project, what would be our outstanding receivables? And do we expect any claims for that project or there would not be any claims on that project once we complete the project?

P. S. Patel: Presently, there won't be any claim, but there is one issue which is related to area, which is under discussion, which we are thinking that it will be positively solved. Otherwise, outstanding today is in the range of INR100 crores.

Vaibhav Shah: The receivables are INR100 crores?

P. S. Patel: Yes. And that is basically because some issues related to PMC going on strike since last 2 months, their orders were not extended. So they will not certifying our bills although the bills have been placed on time. So today also I have talked to the principal secretary regarding the same. So we are hoping that this issue should be solved in a week or so. And some of the receivables can be received in 15 days.

Vaibhav Shah: And sir, you mentioned that there was also a change in scope, which led to a higher cost...

P. S. Patel: No, it is not about changing scope. I said it is the technical confusion in terms of scope. So it is more related to understanding of the documents wherein there was an issue related to -- we have to provide services for equipment. They have asked for equipment also. Some places, it was related to return DBR and equipment and some in their mode of payment it was related on the services for the equipment. So due to that confusion, we have to carry out the work. But as the projects are getting delayed in terms of running over, so we have initiated that part. That's what I mean to say in terms of change of scope.

Vaibhav Shah: So we don't expect a relief from their end in momentary terms?

P. S. Patel: Again, pardon me.

Vaibhav Shah: We don't expect them relief from their end for this change in scope. We have to incur on our books, the cost?

P. S. Patel: Yes. Presently, it is on our books.

Vaibhav Shah: So we are contesting for that? Or it could be this way only?

P. S. Patel: We are contesting, but as work was getting suffered in terms of handing over because that would be related to my defect liability. So, presently we have carried out the work and we are carrying out against the contest. But as of now It is in our expectation.

Vaibhav Shah: And what would be the quantum of that?

P. S. Patel: I think it is about INR13-14 crores.

Vaibhav Shah: Okay. And sir, overall on the UP project, overall post-completion basis, what margins would we be making on the project entirely and what we are targeting at the time of bidding?

P. S. Patel: See each project has a different, different margins and different, different costs. So presently, what we possible for to give an individual profit and the overall profit.

Vaibhav Shah: Okay. And sir, lastly, what would be your order inflow guidance? Is it should be 3.5 or we are changing it for the entire year?

P. S. Patel: Yes, it's 3.5 and we should be able to reach to 3.5.

Vaibhav Shah: And our year-to-date inflow is INR230 crores, right?

P. S. Patel: This quarter?

Vaibhav Shah: Yes, this quarter?

P. S. Patel: Yes, yes, it's INR230 crores.

Moderator: We have our next question from the line of Rushabh from RBSA Investment Manager.

Rushabh: Sir, we are seeing the semiconductor industry coming up in Gujarat. Sir, are you participating in any of these bids or discussion with any of the players for EPC services?

P. S. Patel: I think Tata people contacted us. So later on, this project has been now allotted to Tata, this Tata Electronics people has given that total Turnkey projects to Tata projects. And there was one inquiry from Tata project related to Precast, not on the project side, but on the Precast side, there was an inquiry.

Rushabh: Okay. Sir, are we seeing any big orders that in the next 6 months or something, INR800-1,000 crores order, but it's been some time not any big orders?

P. S. Patel: We are expecting, there are some few projects of that size in our bid.

Moderator: We have our next question from the line of Jiten Rushi from Axis Capital.

Jiten Rushi: Sir, my first question is on SMC project. So as you said, there was a labor issue and the issue still continues. So do you see any cost whether you'll be able to complete the project on time or there will be some penalty because we are seeing the same in UP? So any escalation or anything which we have covered with price escalation?

P. S. Patel: No, see SMC is covered with escalations related to RBI Index. So there is no issue related to escalation neither there is an issue related to penalty because the project is going on track. Only the issue was related to that April and May when there was a little bit 30% less labor. Otherwise, things are under control.

Jiten Rushi: Sir, 30% less labor, right, sir?

P. S. Patel: Yes.

Jiten Rushi: And sir, in terms of the Precast facility, any thoughts on the Phase 2 expansion? As you said that capacity utilization will be almost 60% to 70%.

P. S. Patel: No, see we have utilized only 50-60%. So we are trying to increase more orders, till we have a capacity of 30-40%.

Jiten Rushi: So basically, probably, in next 2 years' time, probably you may reach 70%, 80%, then you can look for Phase 2, right, sir?

P. S. Patel: Yes.

Jiten Rushi: And sir, any guidance in terms of FY '26 revenue and margin

P. S. Patel: Jiten, we have already said revenue will be in the line of Rs. 2800 Cr and by margins we have already said it will be in the range of 10%.

Jiten Rushi: No, I'm asking for the year after FY'25, FY '26, can we expect a better run rate?

P. S. Patel: So we are sure that we should be in position to grow every year by 10% to 15%.

Jiten Rushi: 10% to 15%. And margins should be improving going forward?

P. S. Patel: Margins should be in that range. But the bidding criteria remains same.

Moderator: The last question for today will be from the line of Navid Virani from Bastion Research.

Navid Virani: I just needed one clarification, sir. So is it fair to assume that all our projects, which are now a part of our order book, has escalation clause built in and UP project was the only exception.

P. S. Patel: Most of the projects which we are doing today carries that escalation. So if it is a government project, that carries through RBI index escalation or if it's a private project is Item rate project. So that was the only project which are not having any escalation related to cement, steel, material or labor.

Moderator: Ladies and gentlemen, that was the last question for today. And I would now like to hand the conference over to the management of PSP Projects for closing comments.

P. S. Patel: Thank you all for joining us on our earnings conference call today. Thank you for your support and trust in us. We hope that we have been able to address most of your queries. 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, Bharanidhar and Avendus Spark for hosting our call this quarter.

Thank you and God Bless.

Hetal Patel: Thank you, everyone.

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

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