



Ref : CIL/STEX 30/Q4FY18

Date : May 25, 2018

To

The Secretary,
BSE Limited
Corporate Relation Dept,
P.J. Towers,
Dalal Street, Fort,
Mumbai-400 001

The Secretary,
National Stock Exchange of India Limited
Plot No.C/1, G Block,
Bandra Kurla Complex
Bandra (East)
Mumbai-400 051

Scrip Code /Scrip Id: 540710/CAPACITE

Scrip Symbol: CAPACITE

Dear Sir/ Madam,

Sub: Transcript of the Analyst/ Investor Conference Call

Dear Sir

We refer to our letter dated May 17, 2018 regarding the intimation of Analyst / Investor Conference Call on the Audited Financial Results of the Company for the quarter and year ended March 31, 2018, which was scheduled on Monday, May 21, 2018 at 11.30 A.M. (IST).

In this regard we herewith attached the transcript of the conference call as required under Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is for your information and records.

Yours Truly

For CAPACIT'E INFRAPROJECTS LIMITED


Sai Kedar Katkar
Company Secretary



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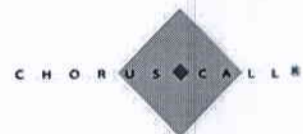
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**“Capacit'e InfraProjects Limited Q4 FY'18 Earnings
Conference Call”**

May 21, 2018



**MANAGEMENT: MR. ROHIT KATYAL – EXECUTIVE DIRECTOR AND
CHIEF FINANCIAL OFFICER, CAPACIT'E
INFRAPROJECTS LIMITED
MR. ALOK MALHOTRA – PRESIDENT (CORPORATE
FINANCE), CAPACIT'E INFRA PROJECTS LIMITED
MR. DAMODAR AASH – HEAD (ACCOUNTS AND
TAXATION), CAPACIT'E INFRA PROJECTS LIMITED**



Moderator:

Good Day, Ladies and Gentlemen. And welcome to the Capacit'e Infra Project Limited Q4 and FY18 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the belief, opinion and expectation of the company as on the date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over Mr. Rohit Katyal Executive Director and Chief Financial Officer. Thank you and over to you sir.

Rohit Katyal:

Good morning everyone. A very warm welcome to our full year ended FY18 Earnings Conference Call. Along with me I have Mr. Alok Malhotra – President (Corporate Finance) and Mr. Damodar Ash – Head (Accounts and Taxation). I hope everyone has had an opportunity to look at our results. The presentation and press release has been uploaded on the stock exchange and our company website. Let me begin by giving you an highlight of the recent positive changes that have taken place in the industry.

One the government has approved the Mumbai Development Plan 2034 whereby it has increased the floor space index for both commercial and residential buildings. Secondly the Maharashtra Authorities have also approved to release 3,355 hectares of land previously designated as non-development zone. In Mumbai of its 2,100 hectares of it will go for affordable housing. This coupled with RERA and organized players already playing a bigger role is good news and augurs well for well-placed and focused EPC players like us. Further the real state sector has started showing signs of improvement as is evident from the data on housing sales.

There are clear indications of revival in the India Real Estate Sector backed by favorable policies and a positive market sentiment. The environment is turning conducive for developers and we believe therefore that organized EPC players stand to benefit.

With this, I shall now share with you the financial highlights for the year. Total income for FY18 grew by 19.3% to Rs. 1,360 crores as compared to Rs. 1,140 crores in FY17, pursuant to GST implementation in FY18 there was a renegotiation in all the ongoing contracts as on 30th June. This renegotiation led to reduction in revenues to the tune of Rs. 35 crores in the current fiscal.

EBITDA for FY18 grew by 7.3% to Rs. 227.7 crores as compared to Rs. 212.1 crores in FY17. EBITDA margin stood at 16.7% for FY18. Finance cost for FY18 reduced to Rs. 39.8 crore as compared to Rs. 41.7 crores in FY17 on absolute basis. The net finance cost for FY18 was Rs. 19.5 crores vis-à-vis Rs. 32.1 crore in FY17. Depreciation and amortization expense for FY18 stood at Rs. 67.2 crore as compared to Rs. 65.1 crores in FY17. The overall downward impact on order book post GST amendment fructified in Q4 of FY18 was Rs. 185 crores. This resulted



in accelerated amortization of site establishment under the gross block of Rs. 5.3 crores during the quarter.

Further the company has stopped capitalizing of assets under the value of Rs. 30,000 which has impacted the EBITDA by Rs. 2 crore or there about in the current financial year. Total comprehensive income for FY18 grew by 14.9% to Rs. 79.4 crores from Rs. 69.1 crore for FY17. The EBITDA was impacted by Rs. 7.3 crore thereabouts due to reasons just explained. Cash PAT for FY18 grew by 19.5% to Rs. 160.9 crore as compared to Rs. 134.7 crores in FY17. Core assets worth Rs. 85.6 crores including capital WIP of Rs. 6.7 crores have been capitalized during FY18. Our gross debt to equity ratio as on 31st March 18 stood at 0.32 x. Gross debt stood at Rs. 239 crores which now includes bill discounting of 89 crore while the cash and bank balance stood at 324 crores as on end of 31st March 2018.

The net working capital including retention money stood at 89 days during FY18 as compared to 65 days as on FY17. The net working capital excluding retention money stood at 58 days during FY18 as compared to 34 days during FY17. The net working capital has gone by mainly on account of increase in trade receivables resulting from extended negotiation process in finalizing the amendment in orders due to GST implementation. We expect the net working capital days to go back to previous level over the next two quarters. Our order book as on 31st March 2018 stood at 5,682 crores.

Affordable housing contributes 60% of the order book. 85% of the order book comes from residential segment while 15% from commercial and institutional. For FY18, we have added orders worth Rs. 2,722 crores. During Q4 FY18 we bagged the following significant orders, order from Tata Trust for complete civil electromechanical and interior works valued at Rs. 256.6 crores, Kalpataru Magnus worth Rs. 91 crore and a repeat order from Wadhwa Group of Rs. 156.5 crores. For FY18, the board of director have recommended a final dividend of 10% subject to approval of shareholders along with DDT the dividend payout works to 11.7% of PAT.

For FY19 our CAPEX guidance stands at Rs. 75 crores as approved by the board of directors. With this, I now leave the floor open for questions.

Moderator: Ladies and Gentlemen we will now begin the question and answer session. The first question is from the line of Vijay Sarda from Crescita Investments. Please go ahead.

Vijay Sarda: Sir, just wanted to get some understanding in terms of the slippage on the revenue that you said to the tune of around Rs. 30 to 40 crores, so is it because while putting GST into numbers the number were higher or it is a negotiation where we have taken an advantage of GST at our end and reduced the billing for the client?

Rohit Katyal: So what we have mentioned that the overall impact of GST due to amendments which fructified or were completed in Q4 stands at Rs. 35 crores. This total impact is net of GST whatever projections are given, whatever revenues are shown obviously they are net of taxes.



so there is no impact of taxes on that, but yes due to GST whatever discounts could be passed on to the client under negotiation that amounted to Rs. 35 crores.

Vijay Sarda:

Sir just trying to understand in terms of the order book that we have as on March 31, what is the timeline for execution of those orders and secondly in this current order book are we having some projects which are getting slowed or which are stagnant?

Rohit Katyal:

Number one, the average completion period is approximately 3 years or thereabout 3 to 3.5 years and there is no stagnant or non-moving order in the order book provided to you on the stock exchanges.

Vijay Sarda:

Just going forward, is this GST impact already been arrested or we can see this impact flowing in another one, two quarters also?

Rohit Katyal:

No it is totally arrested. All the order amendments are in place and available with us. So hence there will be no discussion of any discounts or any shortfalls due to GST. Whatever debtor built up and loss in revenue had to happen has happened over the 9-month period in the current financial year.

Moderator:

The next question is from the line of Utsav Mehta from Ambit Capital. Please go ahead.

Utsav Mehta:

Sir my first question is on the increase of receivables on account of GST, what line item have we booked this under, is this unbilled or is this bills receivables?

Rohit Katyal:

The overall debtors level has been shown to you. One part of the same is lying in the debtors as you can see the gross debtors as on FY18 is Rs. 562.83 crores including retention of Rs. 115 crores. Of this, the total uncertified bill which as on 31st December FY17 was approximately Rs. 250 crores which today stands at Rs. 98.8 crores.

Utsav Mehta:

You are saying this was a Rs. 200 plus crores as of December and now it is Rs. 98.8 crore?

Rohit Katyal:

That is true because the GST amendments were still going on, but now all the GST amendments are in place and therefore a substantial portion of the bills have got certified. That means when I say uncertified bills of Rs. 98 crores means on the overall revenue of Rs. 1,350 crores or there about. So only uncertified bills or bills in the revenue portion is only 98 crores which obviously over the 2 weeks or so will be certified.

Utsav Mehta:

Just sort of why is GST amendments taking so long because it has been almost 8 months or 9 months since we have passed that date of GST implementation, are there any specifics that is causing such a delay in receipt of these or negotiation of this amount?

Rohit Katyal:

It is obvious when any new amendment comes firstly the clients first place various consultant on the board to understand the impact because they are not experts in the construction costing. Once that is done the negotiation starts in any negotiation either party would like to benefit as far as possible. So, it has taken more time than what we anticipated, but fortunately since we



are at the moment dealing with only private sector we have been able to get all the order amendments in place. Now what does this order amendment mean that you had post of uncertified bills an ad hoc payment coming through till January of this current financial year. And once it all get certified the pace of receivables picked up, but yes it has taken more time then what we had thought, and the industry had thought, but fortunately as far as Capacit'e is concerned they are behind us now.

Utsav Mehta:

Sir since you said that both parties sort of try and gain out of this, does this imply that there is a scope of downward renegotiation of these Rs. 98 crores where the client agrees to pay let say 6Rs. 0 or 70 crores out of this?

Rohit Katyal:

Sir I just said the order amendments are in place, so there is no question of this Rs. 98.18 crore to be precise being revised downward by even Rs. 1.

Utsav Mehta:

My second question is on margin you know EBITDA margin on a like for like basis if I have to let say compare it to FY17 even on a restated basis is down, just wanted to understand what the reason behind this is and what are the sustainable margin under this new form of reporting that you are carrying out?

Rohit Katyal:

The new form of reporting we will give you a guidance of 15.7% to 16.5% and we continue with that guidance. The cash profit has been in line. As far as the current financial year is concerned, there has been an increase in the employee benefit expenses of which Rs. 12 crore or there about is attributable to 40 senior and mid management employees who have been recruited to cater to the future business growth of the company which you will see in the current financial year. So yes, there has been a slight impact on the EBITDA side, but it is still higher than the guidance which has been provided to you all.

Utsav Mehta:

My last question sir, with Wadhwa there were two projects which has been kicked off despite being a part of our order book for quite a while, have these projects started in terms of accruing revenues?

Rohit Katyal:

The revenue accrual will start from next quarter the design has been approved by the client. So the activity at the project site has just commenced.

Utsav Mehta:

And if you do not mind me asking what percentage of our order book right now would consist of projects that have not yet kicked off in terms of value?

Rohit Katyal:

You already have pointed out those projects. There are no other projects which have not kicked off they are all revenue generating projects which form part of the order book.

Moderator:

The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia:

Most of the question on business has been answered. I have few question on the formwork side, we have highlighted quite extensively use of modern Formwork system as one of the key



technologies which enabled us to differentiate in market, so just want to understand a bit more on this. So from where is the push for adopting these system coming from, is it that we are now seeing demand for builder for using the system incrementally, what is the benefit he is seeing from adopting this system?

Rohit Katyal:

From the private sector point of view, it is just definitely moving towards the time value cycle chain. Therefore, the adoption of any technology from Formwork perspective is directly proportional to the time period of project completion. So, for example if a client is looking out to go each floor in 9 days or 8 days period then they would basically choose an aluminum Formwork. The same client is wanting to go up each floor in every 4 days or 5 days. They would opt for a tunnel Formwork. So, it depends on the timeline of a project that is number one. Number two, there is definitely a surety for the developer that the project will get completed on time. And therefore, especially after the RERA implementation it becomes all the more important that an appropriate Formwork technology is used and adopted.

Point number three, yes more and more developers especially in the mature geography where we are operating or opting for modern Formwork which includes Mumbai, Bangalore, Chennai now even Pune where aluminum Formwork is commonly being insisted by the client and so also in Delhi NCR. So answering your question, we are seeing a huge demand from all other clients in the private sector for the modern Formwork which is here to stay and increase. The positive is that even now government is insisting for monolithic casting which clearly highlights the intent of the government that it would like to move from conventional technology in Formwork to the modern Formwork system and that augurs well for players who are already having experience and possessing we know of using modern Formwork.

Viraj Kacharia:

And even now traction for these systems even in mid-size projects?

Rohit Katyal:

As I explained to you midsize, large size or small size the time cycle will basically drive the client towards taking a decision on the modern Formwork and which Formwork in the category he would like to go for.

Viraj Kacharia:

From our prospective, how many sites we are using this technology and what impact it has on us in term of P&L, balance sheet or ROI?

Rohit Katyal:

As far as our projects are concerned 100% of our projects use one of the various technologies which we have been highlighting number one. Number two are existing EBITDA already factors the benefits of using such modern Formwork.

Viraj Kacharia:

And how much investment we would have made so far and how are we looking to scale this up as this is looking up more of an outright model or you are also looking at rental or more asset light model first.

Rohit Katyal:

When the project is of a large duration, then maybe we would like to own the asset and when the project is of a very small duration let say 9 month to 18 month depending on the quantum

of CAPEX the company may opt to go for rental also, if you look at our net assets from the Core assets perspective which you just asked it is Rs. 306.56 crores at the moment as on 31st March, 2018 and the asset turnover is obviously clearly more than 4 which highlights that these assets are being moved and being reused very effectively.

Viraj Kacharia:

What kind of investment we are looking for with this added Rs. 75 crore CAPEX?

Rohit Katyal:

So 75 crore is the budget which is based on the order book which the company has and this obviously about 60% of that would again go in the Formwork system which we just discussed.

Moderator:

The next question is from the line of Chintan Seth from Sameeksha Capital. Please go ahead.

Chintan Seth:

Are there any one-off income in the previous quarter. I mean we have our reported EBITDA margin is much higher than we are reporting currently?

Rohit Katyal:

Can you repeat the question?

Chintan Seth:

In Q4 17 our EBITDA margin is excess of 20% so I was just wondering whether there are any one-off beings or lower expenses which led to such compassing the EBITDA margin compared to what we are reporting right now.

Rohit Katyal:

I would like to reiterate what I have been telling earlier for a construction company a quarter should not be looked at, at least a year-on-year view should be taken. But there is no one-off benefit which has accrued in any quarter as such.

Chintan Seth:

Our guidance is on the margin front is around 15% to 16%.

Rohit Katyal:

We maintain the guidance as 15.7% to 16.5% for the full year basis and not quarter-on-quarter basis.

Chintan Seth:

In terms of order inflows and guidance in terms of how we are looking at given the broader environment in pertaining the shares been quite robust as you mentioned about the Maharashtra new reforms on the land and FSI, so how do you see your ordering environment improving from FY19, FY20. So last year we did around Rs. 2,200 or 2,300 crore inflow what are your expectation going forward?

Rohit Katyal:

We would again say that the order inflow would be directly proportional to two things. Number one the client quality which we have been speaking on quarter-to-quarter basis with you all that is number one. Number two, we would like to maintain an order back log of approximately 2.8 to 3 times of our future revenues which would result that at least we will have to book order worth 1,800 crores in the current financial year. Given that the existing order book itself is very strong. We are more than confident of achieving that, since we have already started booking new order in the current financial year. And as explained during the last quarter conference call our order book inherently has a strength to grow by Rs. 1,500 to 1,700 crores as is being evident quarter-on-quarter. So, answering your question we will

require a minimum of Rs. 1,800 crore in order book to ensure that we are at approximately 2.8 to 3 times in March 19 for the revenue of 19-20.

Chintan Seth:

Lastly, on the receivable front again happening on the working capital side, how do you see that improving as all the contracts are already being amended under the GST and the collection should start improving henceforth so that is one. And second needed an update on bill discounting and bank guarantee release which you have indicated in the first two call about Rs. 100 crore of bank guarantee will release is in the process where are we standing right now?

Rohit Katyal:

So on the collection front we have already seen substantial improvement in the first two months as I speak to you today. So, as I mentioned earlier we believe that over the next two quarters or little more we will be at a similar prior level of about 65, 66 days as we were earlier. So, this was a one off because of GST. We in to the best of our knowledge believe worst is behind us. Number two, you said about sale bill discounting. So, if you compare year-on-year our bill discounting that is discounting of bill certified bills as on FY18 was Rs. 89.54 crores which as per the earlier accounting standard never formed a part of the debtor it was netted off. However, as per IndAS that needs to be added and that therefore your debtors increased by Rs. 89.5 crore which is a bill discounting amount.

Your third question is regarding the retention. The retention amount as on 31st March, FY17 stood at Rs. 96.5 crores, the retention for the current financial year is approximately Rs. 110 crore or there about. Assuming that the Rs. 65 crore was the new retention which was deducted in the current financial year. It means that Rs. 50 crores of retention or little bit more has been released in the current financial year. This will continue, and we believe that it will add about Rs. 25 to Rs. 30 crores in cash flow in the current financial year also.

Chintan Seth:

Is this similar to bank guarantee releasing from the client that you mentioned?

Rohit Katyal:

That is the same thing I mentioned. We have Rs. 65 crores as our new retention which could have been recovered by the client which has not happened because we gave the guarantees. Now we are furnishing additional guarantee to the clients and which means we are hopeful that these Rs. 115 crores should come down by Rs. 25 crore Rs. 30 crores hopefully over the current financial year that means no new deduction to happen and further reduction to happen.

Moderator:

We will move to the next question from the line of Manjit Buaria from Solidarity Investment. Please go ahead.

Manjit Buaria:

I have two of those the first one is when customers work with you like your Godrej or any big organized player, is there a limit internally they have say x percent of their total projects cannot be with more than one outsourced developer like you?

Rohit Katyal:

No, there is no such policy that we are aware of. If they have some internal guidelines obviously we would not be aware of that. However, we have completed two projects with Godrej like you just mentioned the name of the client and we have two repeat orders already

from them. And we have been invited to bid for all their upcoming project. So that gives us a sense that there is no such guideline which we know about.

Manjit Buaria:

My second question sir is on the return on capital in this business when the management thinks about it what is the peak return on capital given the nature of business you are in, do you think is achievable in this business. And I come at this from the point that now even your numbers are going to be published, so would customer give a push back in terms of making so much return on capital as a B2B service provider, so I need better pricing, so how does one think about peak return on capital in this business?

Rohit Katyal:

So if you are asking me that what the client would think about the return on capital which we are giving. Generally, the client would look at the quality and the pricing and timely completion. The return on capital for contracting company is directly proportional on how quickly, how much on time and what efficiency at which they execute the project and that is what it leads to a satisfied client. So as I told you earlier the client will be more bothered about the project being completed rather than our return on capital. But to inform you the return on capital employed for the current fiscal stands at 16.23% as opposed to a higher percentage last financial year due to the increase in the equity base due to IPO which happened this financial year. So I hope I have answered your question.

Manjit Buaria:

Sir just one follow up if I may, so I understand sir what has happened this year as result of IPO proceed. I am thinking of bit more long-term let say 5-7 years into this on a very steady state is this a business you think which would be in some sense capped at around 16%, 18% return on capital or it has a potential to go beyond it is what I am trying to understand.

Rohit Katyal:

Obviously before the IPO the business was growing at about 27%, 28% from return on capital employed prospective. So obviously we believe that there is potential. However, we cannot forecast what is going to happen over the next five year, but we are committed to improving all the parameter which are important for ROC of the balance sheet.

Moderator:

The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana:

Sir just small clarification first one I want to understand the order backlog that we gave has that been adjusted to GST because I mean now GST would not be a part of your top line, so is that been adjusted to the GST component or is it still including GST?

Rohit Katyal:

So it was excluding taxes earlier it is excluding taxes now. The GST impact of Rs. 185 crore which I mentioned has already been adjusted and order backlog has been shown as net of GST.

Prem Khurana:

And on this amortization I think in your opening remark you said you have provided for accelerated amortization in this here around Rs. 5-odd crore, what does that pertain to amortization? sorry I had missed you in that part?

Rohit Katyal:

So as I just told you that Rs. 108 post-GST amendment reduction in order backlog was Rs. 185 crores. Now the amortization of site establishment is based on the cost expenses as on a

particular day. So when the value of the order has reduced so cost as a percentage expended till that much time has increased by that much percentage and therefore we have to take an accelerated amortization of Rs. 5.3 crores which has been done.

Prem Khurana: Next year it will normalize because you would be able to kind of link it to your normal revenues again. This year was extraordinary because the GST impact was there for 9 months.

Rohit Katyal: That is right, but the entire hit was taken in the current quarter with once the entire amendments were in place.

Prem Khurana: Sir when I met you the last time we were talking about some change in your accounting policy for your formwork, with this people time and again raised questions the way we amortize our formwork which is why I mean you indicating that the idea is to kind of get auditor on board to be able to have it as operating expenses that are amortizing it over a period of time. So I mean have we made any progress, is the idea still there or do you feel comfortable with this amortization policy that you have now?

Rohit Katyal: As I told you this discussion was only pertaining to aluminium formwork which forms about 50 crores of the entire block. We are still in discussions with our auditors and the audit committee and I am very sure within a month before at least for the June quarter you will have a specific answer yes we are looking towards that. As a second step as I already mentioned any assets below 30,000 we have stopped capitalizing and we are expensing it out as on date of purchase.

Prem Khurana: Just one last from my end I mean would you be able to share how is the bid pipeline for you as of now, how many projects will be kind of qualify a bid for or you would have already placed the bids and how much would be the size of these?

Rohit Katyal: So at the government side our bid pipeline at the moment is about 10,000 crore for the clients which we have already identified and we are bidding for. Private sector as I have explained earlier, you are invited to submit your bids and as we are qualified by all the reputed names in the industry, we would be invited by them as and when they call for bids. With our experience and the sense which we have, there is enough projects which these existing client which will be launching and even if we do not add any new clients we are confident of achieving the target which I just mentioned a few minutes back.

Prem Khurana: We are looking at around Rs. 1,800 odd crore inflows?

Rohit Katyal: I said that Rs. 1,800 crore or below is something which is required to ensure that the order backlog is 3x of the future revenue book.

Moderator: The next question is from the line of Amit Jeswani from Stallion Asset. Please go ahead.

Amit Jeswani: Long-term receivables we got Rs. 15 crores of non-current receivables, does that mean that the builders are paying us late?





Rohit Katyal:

No, that is a part of the retention. So retention is split into two, current assets and long-term assets. When I spoke about the entire figure of Rs. 115 crore if you add that it will add up to the same figure. So it is not that the builder is paying, we have limitations on bank guarantees. Once we issue bank guarantee, the same amount from long-term assets we will move to current assets.

Amit Jeswani:

Sir about FY19 what kind of revenue run rate is likely because we have said that we are doing about Rs. 143 crores in December in the last call, but this quarter we have done somewhere around Rs. 127 crores odd, so what kind of run rate do you expect going forward?

Rohit Katyal:

So the order backlog is Rs. 5,682 crores. All the projects are operational. So, you should see a decent growth rate. As we are not giving guidance on the revenue, but obviously given the order book which you have we have shared with everyone the completion period also we have shared. I am sure that the company will have a good and reasonable growth rate.

Amit Jeswani:

Sir, we have zero impact on commodity prices going up right?

Rohit Katyal:

Zero impact.

Amit Jeswani:

Sir, in the working capital cycle only because of the receivables coming down we expect a working capital cycle to get corrected to 65 days again?

Rohit Katyal:

Yes, that is the only difference which is there. So, your receivables have gone up due to GST. We expect it to correct marginally in March quarter which has not happened because the amendment came up in March and April and therefore the bills got certified in February and March of the last financial year and therefore we do believe that in the current quarter and the coming two quarter there should be reduction and we should be at the earlier levels of debtors which was 65 days, 66 days. And obviously when the debtor level will fall, the networking capital level will also fall by likewise period.

Moderator:

The next question is from the line of Vijay Gour from First Global. Please go ahead.

Vijay Gour:

Sir, my question is here our raw material cost has gone up for year-on-year on a quarterly basis and yearly basis, could you share raw material mix?

Rohit Katyal:

So you have certain orders where in the certain cost are booked under the construction expenses because it was L plus M contract. So, when you add both of these. So if you look at year-on-year basis and you add both of it then you will get a realistic figure adding both of this will give you a reflection that the cost has gone up by approximately 101.5% but that is normal to happen either way in a construction business.

Vijay Gour:

On a quarterly basis it has gone up a lot.



- Rohit Katyal:** It has gone up 7%. Our construction expenses have fallen by 6%. So, therefore I said there are certain contracts issued with L plus M in that particular quarter and therefore I request you to compare the full year.
- Vijay Gour:** Sir one small request here could you share some EBITDA margin segment wise like high-rise building, super rise building as you have given the order book information so could you share the information EBITDA margin?
- Rohit Katyal:** I do not have the information handy, but we shall share it with you, if you could write to us
- Moderator:** The next question is from the line of Rakesh Jain from Asit C Mehta. Please go ahead.
- Rakesh Jain:** I have just a follow up question on the raw material cost, so you said that there is no impact so, is it an immediate pass through which we have with our client? Is that immediate pass through month-on-month which is there with the client.
- Rohit Katyal:** It may get billed in the same month or may get billed in the particular quarter that is the only difference.
- Rakesh Jain:** So for this particular quarter, did we had any sort of impact which is left and will be seen in the next quarter?
- Rohit Katyal:** That is captured at cost in the work-in-process and obviously we will get build in this quarter.
- Rakesh Jain:** What would be your guidance for the next year top line like you mentioned for the Rs. 1,400 crore for last year on adjusted basis we did manage to do that, but for next year what are you guiding now?
- Rohit Katyal:** As I explained in the earlier question or maybe a couple of questions ago we as a policy are not giving any guidance on the top line. But we request you to look at the order backlog the quality of it and all being operational projects. We believe that there is good scope for the company to grow in the current financial year and the next financial year.
- Moderator:** The next question is from the line of Abhijeet Vara from Sundaram Mutua Fund. Please go head.
- Abhijeet Vara:** First question is on the cash balances I think Rs. 200 crores of cash balance is still pending from IPO proceeds, so if you could give a broad idea is to when it will be utilized to how as well as in the remainder what is the free cash you have and what would be against margin money?
- Rohit Katyal:** So the total cash is about Rs. 320 crores of which approximately Rs. 100 crores or thereabouts is against the guarantee and remaining is free cash. Second point, it will be utilized over the next 6, 7 quarters for the new projects which the company is starting. We have received fast



track projects like from Tata Trust where the company would be deploying working capital from this pool which it has placed.

Abhijeet Vara:

So the subsequent question is the debt will not corporate because we have sufficient cash it will support next couple of quarter growth?

Rohit Katyal:

If you look at the balance sheet and if you analyze the debt if you remove the bill discounting amount which is Rs. 92 crore this year and last year Rs. 44 crore. The debt on gross level remains at Rs. 150 crores in spite of an increased revenue and we do not see this changing in the current financial year either.

Abhijeet Vara:

My second question is on the other financial assets what is this entry sir, it seems to have increased year-on-year?

Rohit Katyal:

So as I told you the gross debtors as on 31st March was Rs. 562.83 crores of which Rs. 98.18 crores was debtors from uncertified bills. As per prudent accounting norms what has not been shown in debtors has been shown in other financial assets. And if you add these up you will get that overall gross debtors of Rs. 562.83 crore which we have been mentioning.

Moderator:

The next question is from the line of Sandeep Jadwani from Narnolia Securities Ltd. Please go ahead.

Sandeep Jadwani:

My question is related to the short-term borrowing sharp jump in the short term borrowing despite having a huge IPO cash so some clarity on that?

Rohit Katyal:

This is due to the accounting standard change from last year to current year. Last year the bill discounting was not shown as secured loans. From this financial year, it has been shown as secured loans that is approximately Rs. 92 crores. If you remove that there is no increase, on the other hand this is a real reduction in short term borrowing.

Sandeep Jadwani:

And a couple of days back you intimated the Stock exchanges about deviation of usage of IPO money, so any comment on that?

Rohit Katyal:

There is no deviation at all.

Moderator:

The next question is from the line of Devang Doshi from Asian Tigers. Please go ahead.

Devang Doshi:

We highly appreciate the way you have replied to all the calls, very open and transparent. Sir my question is with regard to the order book what we are talking about I see two repeat orders from Oberoi Reality of around Rs. 365 crores, sir can you say when it is going to start and what would be the duration to complete project and what part of the city this project is going to take place?



- Rohit Katyal:** So the first project is on the Tardeo which has already started. I do not have the detail completion period handy. The second project is for the mall at Worli, it is a mixed used project commercial plus residential and it will start by end of quarter 1 of the current financial year.
- Devang Doshi:** Sir, one more question in regard to Godrej you spelled out in your reply that Godrej two projects are coming up?
- Rohit Katyal:** No, what I mentioned is that two projects for Godrej have already been completed by Capacite. We have received the two repeat orders already which form part of our order book and we have been invited for all their future projects also that earlier question was pertaining to that whether Godrej has an internal policy of restricting the number of projects per contract to which I have replied this. We do not know of any of such internal policy of theirs.
- Moderator:** The next question is from the line of Shirish Rane from IDFC Securities. Please go ahead.
- Shirish Rane:** Sir couple of question. When do we have a contract from a developer, do you give you some sort of early completion bonus or do they penalize you if you overshoot the timeline?
- Rohit Katyal:** Yes, there are all times penal clauses that normal to any contract government of private. However, so far over the last 5 years we have never been penalized in any of the contracts. As far as bonus is concerned, they are generally contained in the government contracts, but a couple of our contract now also contain bonus clauses.
- Shirish Rane:** In the private sector they do not give bonus especially after the RERA has been implemented?
- Rohit Katyal:** After the RERA has been implemented the timeline and drawings and the holdup have seen to exist that is the positive. At the moment, I can only talk about the existing order book only two of the orders have bonus clauses. I am sure that going forward the private developers also would like to incentivize early completion, but I can talk about the order book which currently we have.
- Shirish Rane:** Just from a clarity standpoint when a developer gives you an order they put in a hard date in terms of start date and the stop date?
- Rohit Katyal:** That is all is there otherwise the clause will hold no true. So you have a mobilization date, you have a startup date, and you have a completion date and at times you have interim milestone dates also. And that obviously is dependent and established on the basis of deliverables from both the client and the contractor side.
- Shirish Rane:** In case there is let say some issue after you started working on a site and there are some delays because of client standpoint. Then has it ever happened to you in the past or how is it handled?
- Rohit Katyal:** Definitely it has happened many times in the past especially in the pre-RERA regime and the contract generally has cost compensation clauses and the company has already received that



when we say received means money received into the account of nearly Rs. 40 crores to 45 crore on account of such cost compensation over the last 4 and 5 years.

Moderator:

The next question is from the line of Rohit Khatri from Religare. Please go ahead.

Rohit Khatri:

Sir, you mentioned that your EBITDA margin would be around 15.7% to 16.5% and you are currently at 16.7%, could you highlight the reason you think the margin would decrease from here on as well?

Rohit Katyal:

We believe that the guidance is given on the basis of cost to complete which is available with the management at a particular appointed date. And if the execution plans out better there is scope of expansion in that EBITDA margin. However, obviously we would like to maintain the EBITDA at 15.7% to 16.5% what we have been achieving over the last 3 years.

Rohit Khatri:

Can you highlight what debt level are you looking at going forward and you expect the debt to reduce going forward or would it increase in the opportunity of business which is there for the company?

Rohit Katyal:

Excluding bill discounting which is backed by certified bills or bill of exchanges from the client, our gross debt is at Rs. 150 crores at the moment in time. We do not see any reason for it to go up that answers your question hopefully.

Moderator:

The next question is from the line of Vijay Sarda from Crescita Investment. Please go ahead.

Vijay Sarda:

I just wanted to understand in terms of the finance cost basically the guarantees that you provide, so all project we have to provide 5% guarantee and basically in terms of the finance cost if I suppose you are doing Rs. 1,360 crore turnover. So, is that how much is the cost on the non-fund side of the revenue? So basically, is it half percent of the sales when one needs to take, or 1% sales is a non-finance cost?

Rohit Katyal:

So if you look at the last financial year FY18 of the total Rs. 39.75 crores of finance cost bank guarantee commission stood at Rs. 474 lakhs, processing charge stood at Rs. 260 lakh and pure interest without adjusting for inflow of interest, we are talking about only outgo stood at approximately Rs. 20 crores. Other bank charges which means discount charges, LC charges, LC opening, all the other charges stood at 12 crores. So this is the breakup of Rs. 29.7 crore. When you adjust that by the income received on interest by the company that get reduced to approximately Rs. 20 crores, but as a matter of presentation we are showing the gross interest only.

Vijay Sarda:

So basically, if I adjust Rs. 4.5 and Rs. 2.7 then bank guarantees and maybe 0.5% of the sales because as every project we complete we need to give 4% to 5% warrantee for 2 years or 3 years?

Rohit Katyal:

So it is not like that it is depends on contract to contract you generally have a performance guarantee of 5%. You have an advanced guarantee ranging to 5% to 10% and then you have

retention or security deposit guarantee that is a 5% which otherwise the client would hold from your RA bills. Now this collectively is 20%, but of this the 10% given to as advance gets released periodically as the advance is recovered to the performance guarantee is released on virtual completion so it is linked to the period of the project and the retention in 99.9% cases is released at the end of one-year from the deadline of the project.

Vijay Sarda:

Last thing in terms of growth that you talked about, so basically you said is a reasonable good growth basically going by the turnover so is it fair to assume 18% to 22% kind of growth for next 3 years?

Rohit Katyal:

I would love that happens. Our order book is suggestive. You are more qualified than me to judge that, but you can be sure about the strong balance sheet from Capacite.

Moderator:

The next question is from the line of Mayank Goel from B&K Securities. Please go ahead.

Mayank Goel:

Just had a couple of queries and wanted to clarify something. As we expect strong demand coming from the housing segment which almost covers around 85% of the order book, just wanted to understand how do you view this split as, I mean do you consider this as an optimal mix of 85% or are you going to increase it to further level also for the residential portion?

Rohit Katyal:

So the residential portion was 100% as on 31st December, 2017. On an enhanced order book it is now 85%.

Mayank Goel:

Do we have any internal target split, any desired ratio which we view?

Rohit Katyal:

Our internal guidelines to our marketing department is that quality of client is of paramount importance. Geography whereby the management bandwidth does not get over stretched which impacts the profitability, so these are the two guidelines. Whether it is a commercial building, whether it is institutional or residential, it does not make too much of a difference. However, at the moment we are looking at projects with faster completion as we have the requisite working capital to plough.

Mayank Goel:

Sir, in terms of margin profile I just wanted to understand which of the type of orders are more lucrative to you either residential or commercial or you are indifferent to both of them?

Rohit Katyal:

Super-high rise obviously given the very few players, would be the highest draw as far as EBITDA is concerned followed by design built and there are many other category thereafter.

Mayank Goel:

Next I wanted to ask you regarding the competition which we see as I understand on the private side we generally get repeat order from the existing client, but with respect to the government ordering or getting a new client on board private client, how do you see the competition in the sector. Basically, what is the differential between the bid placed?

Rohit Katyal:

As I explained earlier also that there is no difference in the approach. The client quality is important number one. Number two, in the private side we are qualified by practically all the

reputed clients whether you call them developers, multinational, corporate or whatever and that is reflected in our order book. On the government side, it is obviously the e-tendering and the L1 position as opposed to private where it is more of the time completion and the quality of construction and other parameter, but in the government side it is the L1 status. So in the private sector side as we explained last time we have about competition with 5 or 6 major players which you all are aware about and maybe it changes by couple of EPC players in the geography where we operate I mean to say. In the government side, it is more relevant to the paper qualification and lower the size of the project, higher the competition and obviously we are not competing or bidding in that place.

Mayank Goel:

Sir could you help me with the share of government order?

Rohit Katyal:

Zero.

Mayank Goel:

Lastly you have already explained it revenue portion in the GST impact just wanted to clarify one thing, as you have seen in other companies, the thing which has happened is post-GST the revenues were net of the taxes, but before that the revenue is going to include in direct taxes as well. So I just wanted to understand that we have also reported net of GST revenue this year.

Rohit Katyal:

Our revenues not from inception are net of taxes. The only thing is that the last year's tax was 6% from service tax prospective and VAT was sometimes included, sometimes 5%, sometimes 7%. However, the GST is 18%. The difference between this 9% and 18% that 9% is the impact on the revenue which has already been factored in the current financial year. Therefore, when you look at the receivables on number of day that stands inflated or increased because of the GST amount also.

Moderator:

Ladies and Gentlemen as this was the last question today. I now hand the conference over to Mr. Rohit Katyal for his closing comments. Over to you sir.

Rohit Katyal:

Thank you very much and look forward to seeing you again. Bye-bye.

Moderator:

Thank you very much sir. Ladies and Gentlemen on behalf of Capacit'e Infra Project Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

