



Ref : CIL/STEX 30/Q4FY19

Date : May 24, 2019

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 held on May 14, 2019

Dear Sir

We refer to our letter dated May 9, 2019 regarding the Intimation for Earnings Conference Call with Analysts/Investors on the Audited Financial Results of the Company for the quarter and year ended March 31, 2019, which was scheduled on Tuesday, May 14, 2019 at 12:00 Noon (IST).

In this regard we attached herewith 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 and Compliance Officer





**“Capacit'e Infraprojects Limited
Q4 FY2019 Earnings Conference Call”**

May 14, 2019



ANALYST:

MR. ALOK DEORA – YES SECURITIES

MANAGEMENT:

**MR. ROHIT KATYAL – EXECUTIVE DIRECTOR
& CHIEF FINANCIAL OFFICER – CAPACIT'E
INFRAPROJECTS LIMITED**

**MR. ALOK MEHROTRA - PRESIDENT –
CORPORATE FINANCE – CAPACIT'E
INFRAPROJECTS LIMITED**

**MR. NISHITH PUJARY – HEAD ACCOUNTS AND
TAXATION – CAPACIT'E INFRAPROJECTS
LIMITED**



Moderator:

Ladies and gentlemen, good day and welcome to the Q4 FY2019 Earnings Conference Call of Capacit'e Infraprojects Limited, hosted by Yes Securities. This conference call may contain forward-looking statements about the company, which are based on belief, opinion and expectations of the company as on the date of this call. These statements are not 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 assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Alok Deora from Yes Securities. Thank you and over to you Sir!

Alok Deora:

Thank you Steven. Good afternoon everyone and welcome to the Q4 and FY2019 earnings conference call of Capacit'e Infraprojects. We have with us today Mr. Rohit Katyal, Executive Director & CFO, Mr. Alok Mehrotra, Head of Corporate Finance and Mr. Nishith Pujary, Head of Accounts. I now hand over the call to Mr. Katyal for his opening remarks and then we will have a Q&A session. Thank you and over to you Sir!

Rohit Katyal:

Good afternoon everyone. A very warm welcome to our Q4 and FY2019 earnings conference call. Along with me I have Mr. Alok Mehrotra, President, Corporate Finance and Mr. Nishith Pujary, Head Accounts and Taxation and our investor relations team.

I hope everyone has had an opportunity to look at our results. The presentation and press release have been uploaded on the stock exchanges and on our company's website.

Second half of FY2019 was challenging year for the industry as it faced headwinds in form of liquidity crisis in the NBFC sector. Despite these challenges Capacit'e delivered a robust performance for the year. We have been able to maintain a healthy order book and have added some extremely strong clients to our clientele.

Now let me give you highlight on our operational performance during the quarter. Our order book excluding MHADA at the end of March 31, 2019 stood at Rs.7,177 Crores. Our order inflow for the year stood at Rs.3,629 Crores of which 50% were repeat orders. Residential segment contributes 76% of the order book while commercial and institutional contributes 24%.

Large part of our order book is contributed by high rise and super high rise at 43% followed by gated communities at 35%. During Q4, we received an order from the Municipal Corporation of Greater Mumbai, Health Infrastructure Cell for the proposed redevelopment of hospital worth Rs.484 Crores.



Performance highlights for Q4 and FY2019 are as follows:

Total income for FY2019 grew by 34% to Rs.1825 Crores as compared to Rs.1360 Crores in FY2018. EBITDA for FY2019 grew by 25% to Rs.285 Crores as compared to Rs.228 Crores in FY2018. EBITDA margin for FY2019 full year stood at 15.6%. Of the orders received for eight super high-rise buildings in late Q3, we have fully mobilized four buildings. The revenue build up for these projects which enjoy a higher EBITDA margin would start from Q1 FY2020 onwards. This had a temporary impact on EBITDA margins in Q4, which will normalize in the coming quarters.

Finance cost as a percentage of total income has declined to 2.7% in FY2019 from 2.9% in FY2018.

Depreciation and amortization expense for FY2019 stood at Rs.89 Crores as compared to Rs.67 Crores in FY2018. The capex spends towards core assets in FY2019 stood at Rs.89 Crores.

PAT for FY2019 grew by 21% to Rs.96 Crores as compared to Rs.79 Crores in FY2018. Diluted EPS for FY2019 stood at 14.08 per equity share vis-à-vis 13.71 for equity share in FY2018.

Cash PAT for FY2019 was Rs.198 Crores as compared to Rs.161 Crores during FY2018 growing by 23%.

The total collections during FY2019 stood at Rs.1745 Crores.

The networking capital days excluding retention stood at 68 days as on March 31, 2019 vis-à-vis 58 days as on March 2018.

In this context, it is clarified that material advance of Rs.61 Crores received from clients got netted off against debtors in April 2019 as against March 2019. The material advance of Rs.61 Crores resulted in 12 days increase in the debtor level. Therefore, if adjusted for Rs.61 Crores our debtor levels of 144 days including retention would stand at 131 days and excluding retention at 106 days as against 118 days.

Thus after netting off the Rs.61 Crores of material advance, the networking capital will stand at 55 days in March 2019 vis-à-vis 58 days in March 2018.

The Board of Directors has recommended a final dividend of Rs.1 on face value of Rs.10 subject to approval of shareholders. With this, I now leave the floor open for questions. Thank you

Moderator:

Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Kunal Bhandari from HDFC Securities. Please go ahead.



Kunal Bhandari: Thank you Sir for the opportunity. Just wanted to understand so what sort of stress are you seeing in some of your projects because I see your order book has reduced? When you try to net off the inflows with 4Q execution, so I think there have been a few cancelations so can you clarify on that and what sort of money is stuck there may be your receivables or any advances pending?

Rohit Katyal: Opening order book as on January 1, 2019 was Rs.7520 Crores. We have added Rs.484 Crores in Q4 and the revenue for Q4 stood at Rs.498 Crores. Therefore, if you compare with December 31, 2018 the order book should have read as Rs.7506 Crores. We have declared an order backlog of Rs.7177 Crores so the difference is Rs.330 Crores. Of this, the company has foreclosed two projects one with Radius MMR of Rs. 106 Crores and one with EVOQ, Chennai of Rs.119 Crores. After providing for the adjustment of these two orders and about Rs.120 Crores for orders under final billing that is virtual completion the amount has been given at Rs.7177 Crores. Therefore, two orders, which were foreclosed in Q4, have been reduced from the order book, which will explain the difference of what you just mentioned. That is the first part of your question. Second part of the question, the order for Summer Radius, which was foreclosed, the agreement has been drawn, executed and cheque received, so there is no outstanding, which would be there at the end of Q1 from the foreclosure of one project. Purva EVOQ the project has been foreclosed. There is a retention outstanding, which would be receivable within Q1 and Q2, so as far as the reconciliation of the order book is concerned there is no withheld or amount, which is expected to get overly delayed. Hope I answered your question?

Kunal Bhandari: Sir I just need to ask you. Sir you have pending projects from Purvankara and Radius Group and even you know some other developers, do you see any stress on these projects as well as some of the non-graded developers as you know we would like to classify them. so what stress do you see building up?

Rohit Katyal: See number one if you look at our clientele and we have actually given in our presentation, the top 10 clients, I am sure you have been looking at those clients very closely I do not see any of them in any stress and otherwise you would not have collected 1745 Crores. So, the top 10 clients include Oberoi Group, Piramal Group, MCGM, Kalpataru Group, Purvankara. Purvankara we have foreclosed the project for commercial issue. While it is a continuing client, and we will continue to do two projects for them. Similarly Brigade Group and BSNL. So, we do not see stress in the top 12 clients. As far as clients, like you just mentioned Radius or anyone else for that matter we are clear and we have explained in our commentary during the previous quarters also, given NBFC issue, if see stress and no payment received for more than two months from any of the clients, we will suspend the project and we have done that successfully and foreclosed two projects. So as far as Capacit'e is concerned, the generalization of the industry should not be taken into account, our client quality should be considered while accessing Capacit'e.



- Kunal Bhandari:** One thing, any EBITDA hit that you would have to take because of foreclosing these two projects, any receivable that you have written off or something like that?
- Rohit Katyal:** Apart from the normal ECL provision of Rs 6.5 Crores or thereabouts for the full financial year, there is no hit taken on the books. We just explained the temporary reduction in the EBITDA because we received orders worth 1300 Crores in late Q3 last financial year notably from Oberoi and Piramal. Now, super high-rise building requires substantial mobilization, four of these towers have been mobilized in totality, revenue built up will happen from Q1 on the current financial year. Since super high rises enjoy the maximum EBITDA level since there was a lower revenue in those projects because of reasons explained, the EBITDA margin temporary lower in Q4; however, the guidance of 15.7 to 16.3 will stand in current financial year also.
- Kunal Bhandari:** Thank you so much. I will join the question the queue again if I have any further questions.
- Moderator:** Thank you. The next question is from the line of Ayushi Mohta from CD Equisearch. Please go ahead.
- Ayushi Mohta:** Good afternoon Sir, What kind of order inflows we expect to see in coming quarters?
- Rohit Katyal:** We would like to maintain an order book of 2.8 to 3 times of our projected turnover for the next financial year, which means we will necessarily have to take orders for approximately 2000 Crores in the current financial year; however, the bid pipeline is much stronger than that, so we do not see any challenge in achieving the 3x of the projected topline for FY2020-2021 in the current financial year. Having said that, the last year's target was 1800 Crores as against which the company has achieved an order inflow of 3600 Crores. So, we believe that the momentum accordingly should continue.
- Ayushi Mohta:** Do we expect headwinds due to the NBFC crisis to continue?
- Rohit Katyal:** You would be able to guide better. As I just explained the NBFC was as much as the shock to me or to our organization as was to the entire banking fraternity or the investing fraternity so obviously it does leave us with certain answers which means that sanction letters of NBFC can no longer be a basis for quoting a project. The financial closures with bank will have to be compulsory or the client pedigree quality has to be as what you see in our presentation, so therefore it is time for abundant caution and like everyone is learnt a thing or two from this NBFC crisis, Capacit'e to as well.
- Ayushi Mohta:** Sir, do we plan to bid for projects under Mumbai Development Plan?
- Rohit Katyal:** Mumbai Development Plan as in what which client are you referring to?
- Ayushi Mohta:** Sir 2034?



- Rohit Katyal:** 2034 is the Development Plan, which outlays the development control rules for construction of buildings and as such all the buildings being constructed now are under the 2034 development control rules itself. So yes, we are bidding and we continue to be one of the most prominent contracting companies as far as the West Mumbai is concerned. So yes, we are bidding and we continue to bid.
- Ayush Mohta:** Will your focus remain on private sector order or will you be more aggressive towards public sector?
- Rohit Katyal:** As I said that our company's philosophy is on client quality, so we have added a couple of government sector clients also. We have added extremely marquee client from the private sector, we have added Raymonds, so yes, we will continue to add good clients; it would be very difficult to give a bifurcation of private sector and government sector. Client quality and geography will drive our order growth philosophy.
- Ayush Mohta:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ankit Shah from White Equity Investment. Please go ahead.
- Ankit Shah:** Thank you for taking my question. First on receivables piece what could be the sustainable run rate on receivable days for us?
- Rohit Katyal:** So, we have been maintaining the 55-56 days level, I explained the increase of 12 days, which is the one off situation because of the material advances getting netted off so we have been maintaining in the challenging times this level of 55-56 days and we see no reason for that to change in the coming quarters.
- Ankit Shah:** Sir, on the margins beat, we understand there was mobilization of a few buildings, but Sir again in the next two quarters, few more building mobilized and accordingly it should not have the hands on the margins in the next two quarters?
- Rohit Katyal:** Mobilizing Rs 300 Crore project and mobilizing Rs 1300 Crore worth of projects in a quarter is very different and even if we will be mobilizing the new project in the next few quarters, which obviously will be the case. The revenue ramp up of these 1300 Crores will be well underway and therefore the EBITDA projections of 15.7 to 16.3 are given and sustainable.
- Ankit Shah:** Can you give some detail on the latest order wins from Oberoi and Raheja may be?
- Rohit Katyal:** Oberoi is Super high rise towers, two additional towers of super high rise, in the Oberoi Sky City complex apart from that Raheja Corp is a commercial complex at Worli where earlier the Siemens buildings stood, so these are two projects, one is commercial and one is residential.



- Ankit Shah:** Sir, can you quantify the order sizes for these two.
- Rohit Katyal:** So, the Raheja is about 100 Crores. I do not have the exact number in front of me excluding taxes and value of steel and concrete.
- Ankit Shah:** Oberoi piece?
- Rohit Katyal:** Oberoi is basically addition to the same earlier order, the addition stands at about 230 Crores excluding taxes.
- Ankit Shah:** Just to clarify this Oberoi order for this Sky City project. is it for the Residential part or is it something else.
- Rohit Katyal:** I do not have details at the moment in front of me. I think the press release they mentioned it. We are doing the Oberoi Sky City Mall and this is for the peripheral work that is peripheral buildings around it, so what exactly it is I will not be able to comment.
- Ankit Shah:** Sir on the MHADA project, so we understand we have expected low capital commitment for this project due to the mobilization advance and the bank facility. Sir, would it be possible to kind of share with us the quantum of the bank facility that we would have tied up. So, trying to understand the peak debt at this SPV level?
- Rohit Katyal:** So, Capacit'e Infra will not be tying up for any bank limits. Tata Projects Limited is the financial leader and they will be tying up for the bank limits depending on the peak requirement. For the first two years, we do not foresee any bank requirements for the project as we explained earlier also. It is too early in the day to tell you the peak requirement, but with the cash what we have, we could say that the peak requirement in the year five or six could be at 500 Crores, but this is only a ballpark figure, it could be impossible to predict five years hence as on today.
- Ankit Shah:** That is helpful. I will join back to the queue.
- Moderator:** Thank you. The next question is from the line of Shashank Palan from Rockstud Capital. Please go ahead.
- Shashank Palan:** Thank you for the opportunity. Sir, can you please tell me what is capex guidance for FY2020, what is the capex trend?
- Rohit Katyal:** It is approved at 75 Crores given the current order book.
- Shashank Palan:** Sir just wanted that in Q4, we could say two items that has increased you mentioned that there is mobilization of large projects. but is there something specific our other expense and the construction cost, both have increased?



- Rohit Katyal:** Construction cost is in line. either the material cost will increase. if you added the material cost in the subcontractor cost. it will be the same level or may be 1-basis points here and there. At the end of the day, we are the construction company, so the project was executed as per the budget and as per the cost to complete which is updated every quarter. So, 100-basis point increase in raw material cost for a particular quarter that can happen given the nature of the items we are executing in that particular quarter. but if you add up the material cost and the subcontractor cost, it stands at 74%, which is in line with the whole year projection what we have.
- Shashank Palan:** In Q4 as I could see it is growing at 37% on Y-o-Y basis, so I have added that it comes to 75% excluding other income and in Q4 last year about 71%, so there is still 4% increase?
- Rohit Katyal:** As I told you that when you are starting up many orders, your quantum of concreting work and steel work is higher. when the quantum of concreting work which is in layman language known as RMC, when RMC and steel work is higher, the cost of material will be higher in that quarter and therefore there is the temporary dip in the EBITDA in the particular quarter that is what I was explaining in the earlier call also.
- Shashank Palan:** Anything on the other expense side?
- Rohit Katyal:** I do not have the complete breakup. but I would appreciate if you put send a small mail to our investors relation team and they will be very happy to provide the breakup and comparison with last year.
- Shashank Palan:** If there is any question, I will get back to you. Thank you.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Good afternoon Sir. Congratulations for a good set of numbers. Sir, I just wanted to get your thoughts on how do we see a working capital cycle going ahead and also some insides on the margin front. we have seen some reduction in margins compare to the historical levels over the last two years. so how we see a margin trajectory going ahead?
- Rohit Katyal:** I would really encourage you to have a look at the CAGR over the last 4-5 years, temporary dip which we have explained the reason that could not be read into too much; however, having said that the networking capital which temporarily increased by 12 days, reason for which I have already explained in my opening remarks and also to the question asked by the earlier people is because of the raw material advance, not getting netted off in the same month that is March 2019 and therefore, it basically looks inflated by 12 days. Since the networking capital in true sense is at 55-56 days. We believe that this level will continue in the coming months also. If you look at over the

last two years, it has range between 48-62 days and I therefore believe 55-56 days is the same state level to assume and that will continue going forward.

Parvez Akhtar:

On the EBIDTA margin front?

Rohit Katyal:

I just gave the item 15.7-16.3 that is the items for the two and half years that does not change. Because our margins are based on the cost to complete and since the projects are non-speculative that means we are not impacted by any increase or decrease in material prices. therefore. we cost to complete updated as on April 1, 2019 that will project EBITDA level to be maintained between 15.7 and 16.3.

Parvez Akhtar:

Thanks that should from my side and all the best in the future.

Rohit Katyal:

Thank you.

Moderator:

The next question is from the line of Amol Mhatre from Akash Ganga Investments. Please go ahead.

Amol Mhatre:

I just wanted to take your view on public sector order book that is current year 915 Crores, what kind of opportunities are you seeing in the public sector space going forward?

Rohit Katyal:

Well there is humongous opportunity, but as I said that we look at the client quality very deeply before participating for any government project, so we will continue to focus on clients like MMRDA, ONGC, BMC, SIDCO and we do believe that the order book by the end of current financial year from private sector should be somewhere close to 18% to 22% of the overall order book.

Amol Mhatre:

Thank you Sir.

Moderator:

The next question is from the line of Prem Thakkar from Unilazer Ventures. Please go ahead.

Prem Thakkar:

Sir, just couple of book keeping questions. Interest expense has been trending upwards from Q1 FY2019 to Q4 FY2019 we look at 15 Crores, so was there lot of bank charges in this or how should be read that?

Rohit Katyal:

The total finance cost of 49 Crores is split up into, bank interest on CC and bank interest on term loan adjusting processing fee, this adds up to 20.85 Crores. The commissions on BG that would stack up to 10.05 Crores and the remaining are saleable discounting and other bank charges. Now; however, when you look at this 49 Crores, you have to reduce interest received on SBD and fixed deposits kept with the bank of 32.41 Crores. I explained in the last quarter also the net interest is practically negative. Of course, there will be bank charges as a company grows and gives bank guarantee charges, there will be some cost on the bank guarantee, but however, if you

look from the perspective, overall order book the bank guarantee commissions have been quite reasonable and that is very fair level.

Prem Thakkar: Our depreciation expense has come in around Rs 25 Crores, so we assume the same run rate going forward.

Rohit Katyal: As I explained for the core assets, the depreciation is already normalized over the last one year. The amortisation of site establishment expenses is even proportion to the topline, and for the full year was Rs 59-60 Crores approximately, the details can be sort from the IR team. However, if there is an increase in revenue, obviously the write off will also increase and if there is increase in order inflow the built up to site establishment may increase. So, it depends on what is the inflow for the current financial year, but yes, we do believe that in the current financial year about Rs 62-63 Crores would be the depreciation on level of amortisation and similar levels of current financial year depreciation on the core assets.

Prem Thakkar: Just a final question, I missed the capex number for FY2019 was it 89 Crores.

Rohit Katyal: Core capex is 89 Crores.

Prem Thakkar: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Rachit Kamat from Anand Rathi. Please go ahead.

Rachit Kamat: Good morning Sir. I just wanted to know the unbilled revenues as on March 31, 2019?

Rohit Katyal: Can you please repeat your question?

Rachit Kamat: Sir, I just wanted to know the unbilled revenues number as on March 31, 2019?

Rohit Katyal: Unbilled revenue?

Rachit Kamat: Sir like when you look at the inventory days, they have come down from around 59 days in March 2018 to 19 days in the current year, so that is the kind of drop for round 40 days, so now I am expecting some part it will be unbilled revenue is getting converted?

Rohit Katyal: Yes as per the Ind-AS-115, adoption of the same has resulted that the WIP, which earlier was a part of stock, which stands around 212 Crores as on March 31, 2019, now is appearing under Other financial assets, and that is known as Unbilled revenue, it is nothing but the WIP in the earlier accounting methodology. However, the uncertified bills as on today 126 Crores only which is about 20 days of revenue.



- Rachit Kamat:** What kind of revenue guidance are we looking over the next three-year period if I look at, was given a current order backlog of 15% to 20% growth kind of scenario is possible?
- Rohit Katyal:** What we have performed is in front of you, our order book and the quality of clients is in front of you. As always we do not give any revenue guidance. We do not want to pressurize our operations team to keep working without receiving money. I hope you will appreciate that.
- Rachit Kamat:** If I have any question, I will get back to you.
- Moderator:** Thank you. The next question is from the line of Sriram Kumar from Spark Capital. Please go ahead.
- Sriram Kumar:** Good afternoon. I have a bookkeeping question, what will be the unbilled revenue that will be in other assets at the end of the year?
- Rohit Katyal:** Around March 31, 2019, it is 212 Crores.
- Sriram Kumar:** The next question is what is the update on the MHADA projects, if it on schedule?
- Rohit Katyal:** It is on schedule and the designing part of the first two phases have been completed and we start with the physical execution this current month.
- Sriram Kumar:** All the approvals, timeline has been on the same or is that being extended?
- Rohit Katyal:** Well the approvals are in the scope of the clients and not with the SPV of Tata Projects and Capacit'e, so the approvals are available to start with the transit camp buildings by this month end that is what exactly I mentioned that we start with the physical execution this month end.
- Sriram Kumar:** Thanks.
- Moderator:** Thank you. The next question is from the line of Surbhi B from Ambit Capital. Please go ahead.
- Surbhi B:** I just wanted to know if there is any quantum of unutilized IPO proceeds and if we are looking to retire any debt over the next two years?
- Rohit Katyal:** Madam, the debt reduction will be as a result of the cash flow. We cannot say it is unutilized IPO proceeds, but yes close to 30 Crores of fixed deposits receipts continue to be available for the company and that level we tend to increase to close to 50 Crores in the first two quarters.
- Surbhi B:** Thank you.



Moderator: Thank you. The next question is from the line of Manjeet Buaria from Solidarity Investment. Please go ahead.

Manjeet Buaria: Good afternoon. Thanks for taking my questions. My first question was if you could just help me understand how the industry structure is in terms of competition which you face and the second question is how do I think of the industry, in terms of, is it more geographical play and if you are to enter a new geography let us say a new state it is more difficult to do it or you can seamlessly do it based on your current expertise?

Rohit Katyal: So, competition differs from geography-to-geography. Currently or over the last six years Capacit'e has been executing projects in Mumbai, Pune, Bengaluru, Hyderabad, Vijayawada, Chennai, Cochin, and Delhi MCR including Varanasi. So, we have worked across multiple geographies and multiple states; however, our philosophy again is to look at the client quality more than the geography and we only enter into geography once we are sure about the supply chain management and the quality of the client. So far the policy has been that our existing client like Tata Projects would take us to Varanasi or Godrej Mumbai would take us to Delhi, NCR or existing Bengaluru client taking us to Chennai and that policy would continue. We do not intend in these challenging times to add any more geographies. As I have explained earlier, it is time for abundant caution and obviously along with you we also have to exercise with abundant caution. Coming to the geography, there is no thumb rule that particular thing needs to be done to enter the geography, what generally any company would look at is the management bandwidth, supply chain management and the client quality.

Manjeet Buaria: Sir, just one followup on this at your company's end or in the entire ecosystem who has to manage the local regulations in terms of permits and all. Is it the developer who basically gives you the contract or is it you and when it put a new geography how do you kind of manage that regulatory environment, if it is a new place and I just trying to understand that?

Rohit Katyal: It is the client whether a developer, whether it is a government, whether it is environmental clearance, building permission, CC, OC, everything is in the scope of client as a contractor none of the contractors take that in their scope.

Manjeet Buaria: The labour laws would come under you?

Rohit Katyal: For sure because we deploy so many workmen and therefore the labour laws whether it is Pension scheme or whether that is taking care of the insurance so on and so forth, will remain under us, including providing hygienic living and sanitation working environment.

Manjeet Buaria: I will join back the queue. Thank you.



- Moderator:** Thank you. The next question is from the line of Subramaniam Yadav from TCG Asset Management Company. Please go ahead.
- Subramaniam Yadav:** Sir, if you can give us the capex for the next year FY2020-2021 possibly?
- Rohit Katyal:** At the moment, 75 Crores is approved by the board.
- Subramaniam Yadav:** For 2021, if you can give?
- Rohit Katyal:** We would be able to give out a number after six months because we will have to monitor the order inflow. Once the order inflow for the first six months is clear, only then can we give you any commentary on the next year's capex buildup.
- Subramaniam Yadav:** What about the revenue guidance if you had shared any for FY2020?
- Rohit Katyal:** We have been growing at fair CAGR over the last few financial years given the order book, we do believe that momentum should continue; however, as a policy we do not give any revenue guidance.
- Subramaniam Yadav:** Can you give us some color on the debt may be ending FY2020?
- Rohit Katyal:** So, excluding the bill discounting limit, we continue to be at 168 Crores including short-term and long-term, we believe that this 168 to 175 Crore levels will continue going forward also. You could see some reduction in that.
- Subramaniam Yadav:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Vijay Gaur from First Global. Please go ahead.
- Vijay Gaur:** Good afternoon Sir. Congratulations on a good set of number. I just wanted to understand the expected inflow for FY2020 and 2021.
- Rohit Katyal:** The inflow of??
- Vijay Gaur:** Order book Sir.
- Rohit Katyal:** Order book as I explained that we work on the philosophy of having an order book close to 2.8 to 3 times of our projected revenue, which means that we will have to book orders of close to 1800 to 2000 Crores in the current financial year and similar level of orders in the next financial years; however, we have always done much better than the targeted order book.
- Vijay Gaur:** Sir, the MHADA project is likely to start from this month?



- Rohit Katyal:** Yes Sir.
- Vijay Gaur:** So, what kind of the incremental revenue are you looking from the MHADA project for FY2020?
- Rohit Katyal:** We do not have any clarity on the consolidation at the moment in time. Yes, the profit will definitely be consolidated.
- Vijay Gaur:** Thank you Sir. All the best.
- Rohit Katyal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Utsav Goswami from Evolve India. Please go ahead.
- Utsav Goswami:** Good afternoon everyone and congratulations on the good set of numbers. Slightly qualitative question this time, what would be the top three risks in your mind for the year ahead for the business?
- Rohit Katyal:** Number one, risk would be assessing the quality of the client's, aftermath of the NBFC issues because it is now even more that external risk which is not attributable to the industry of construction or directly to the company has impacted subsequent to the NBFC liquidity issues. So obviously our risk assessment sheet has undergone a change and the client quality will be assessed accordingly, that is number one, and the most important thing. Number two, the focus has to be on collections and therefore the client quality is all the more important which we have explained earlier also and therefore you see that the company has added exceptionally good clients in Q4 as similarly in Q1 of the current financial year, so these are the two things which we basically have to be very careful about because you would not know suddenly which NBFC goes bad and suddenly stops funding and therefore any project not paying for more than two months from Q4 of the last financial year will be suspended come what may.
- Utsav Goswami:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nitesh Jain from Birla Mutual Fund. Please go ahead.
- Nitesh Jain:** Thank you. Can you share some details about this BDD Chawl Project, so what is the total size, I guess 12000 Crores is the total number which I see. Does this include the steel and the cement as well and secondly what is your share between you, Tata Projects and CITIC and lastly what kind of EBIDTA margin do expect out of this project?
- Rohit Katyal:** So, it is an integrated project, integrated SPV between Tata Project, Capacit'e and CITIC. The share of Capacit'e is 37.1%. The project is divided into two parts, one is

the LSPK, Lump Sum turnkey on square feet basis which includes design built and the remaining portion is on the SOR means schedule of rate as published by PWD of Maharashtra or Mumbai Municipal Corporation. The EBITDA in such a project should be upward of 15 and that is what we are expecting. Our share we have already informed you.

Nitesh Jain: Basically, the current order book, which you mentioned like the 7177, it does not include this right?

Rohit Katyal: No, it does not include the MHADA project because it is into a separate integrated SPV. It has a separate team for execution made up of people who have been transferred from Tata Projects and Capacit'e and newly recruited.

Nitesh Jain: Lastly does MHADA have some sort of debt tie up with any of the global agencies or international organization for this project or they are funding on from their own budget?

Rohit Katyal: So, they have the budget allocation already available, the first tranche of mobilization advances have already been received and it is good to see the three major projects being executed for MHADA by L&T, Shapoorji and the third one by Tata Project Capacit'e SPV. So, I do not see any concern whether they have tied up with any foreign agency or not. It is a project of social set up to rehabilitate the depleted building inhabitants and therefore has central government and the state government support.

Nitesh Jain: This is like what time execution you are looking at?

Rohit Katyal: Like 8-9 years.

Nitesh Jain: 8-9 years to complete. Thank you very much. Much appreciate it.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Bank of Baroda Capital Market. Please go ahead.

Jiten Rushi: Good afternoon Sir. My question is related to what is the outstanding retention money as on March 2019 and the customer advances is on March 2019?

Rohit Katyal: So, 130 Crores is the cash retention as on March 31, 2019 and the total advances as for the financial will be 212 Crores include the 61 Crores of material advance which we explained.

Jiten Rushi: Another question is on your fund based and non-fund based limit, can you please highlight on that Sir?

Rohit Katyal: Sir, I do not have the details in front of me, but the total limits for fund based, we have already given in the financials, which including bill discounting is 190 Crores and the

total non-fund based limits which include bank guarantee and LC should be approximately 940 Crores, but however, you can send a small mail to our IR team and they will respond immediately with the exact details, but approximately 1130 Crores as on date.

Jiten Rushi: Sir one more thing in terms of your cash and bank balance, how will you maintain the bank balance because now with retention as you said you are looking to replace retention money by giving bank guarantee, so going forward your non-fund based limit should go up, so what is the level which we would not maintain going forward?

Rohit Katyal: It is very difficult to say that we have an unclaimed retention of 130 Crores, this level has been quite consistent over the last 24 months which obviously implies that we have issued bank guarantees and got our retention back. We will have unutilized portion of close to 250 Crores of bank guarantee limits which will be utilized for performance advances and retention as we move forward. We also believe that there will be guarantees which will be relieved during the course of the year which will help us augment bank guarantee limits by another 70-80 Crores and that would be sufficient for the current financial year.

Jiten Rushi: The liquidity level will remain in the similar range of 0.1 times which we have seen as March 2019?

Rohit Katyal: Should remain the similar range, apart from bill discounting, we continue at 168 to 175 Crores; however minor changes cannot be ruled out.

Jiten Rushi: Thanks a lot Sir.

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

Parkishit Kandpal: What will be the total debt right now including the bill discounting?

Rohit Katyal: Rs. 274 crores.

Parkishit Kandpal: So, roughly we have around Rs 100 Crores of bill discounting, so how do you secure in case of a default by an underlying the developer on the receivables, so how do we secure our liabilities?

Rohit Katyal: Our experience first of all, all these bill discounting are backed by Bills Of Exchange (BOE) and PDC and certified bill, so far there has not seen any default and therefore, the experience and the quality of clients suggest that we do not foresee any default as on now, but any bill of exchange limit you can have two limits either it can be invoice financing without BOE or PDC; however, we generally prefer bill discounting which is

backed by BOE and PDC. so that is the security available, obviously the primary securities are debt and the certified bill is available along with the BOE.

Parkishit Kandpal: But in case the developer itself defaults if the PDC bounces, so then we have to take the risk right?

Rohit Katyal: I hope it does not happen, but in case that happens like any other contractor we will have to go to NCLT.

Parkishit Kandpal: These two cases like foreclosure, so I understand Purvankara we will continue with the other projects, but in case of Radius we still have around 280 Crores of a project which is pending, so are we taking that project or that is also now on the state of foreclosure?

Rohit Katyal: Whichever projects are paying money, we are continuing with that, Harbor Heights was a joint venture between Radius and Sumer Developers and obviously we were not very keen in continuing say the project had been suspended in Q3 and/or Q4 starting, so we agreed to foreclose and the foreclosure agreements have been executed and the cheques have been received and therefore the outstanding including the hiring charges which have been approved, the cheques have been received, it should be with the company before June 30, 2019.

Parkishit Kandpal: The 61 Crore material advance I do not understand has it come in March or it came in April and that is why our mobilization?

Rohit Katyal: It came in March. The total advances from customers stand at 212 Crores of which 61 Crores is material advance. Generally, in the normal trend, it should have been offset in the March 2019 bill itself; however, that got shifted to April and therefore in the balance sheet, the debtors are that much higher by 61 Crores which implies about 12.5 days from the debtor level perspective. This was adjusted in the current year that is March 2019.

Moderator: Thank you. The next question is from the line of Ashwin H from A&S Investment. Please go ahead.

Ashwin H: Thanks for the opportunity. I had a question about your manpower as you look at the next 2 or 3 years or so because what we hear is lot of EPC contractors now have good order book to bill ratio, so we are going to see an explosion in terms of the revenue, but that needs to be backed up by execution I guess, so as we look at your next 2 or 3 years, how do you see the talent crunch especially at a project management and the planning level and how are you covered for the same?

Rohit Katyal: So, fortunately Capacit'e is the company with only focus on one segment building construction and we have continued to do that. Obviously there will be a challenge and more than staff it would be the workmen challenge because staff can be retained, it is

an educated class, it is easier to retain them and there has been hardly attrition at the top level or the mid level. attrition is more so in the junior engineer and supervisory staff and that is the case with any of the companies, number one. Number two, the bigger challenge is workmen and the trained workmen and therefore in one of the earlier questions I said entering the geography needs tie up with all the resources. You cannot just enter geography and then start scouting for skilled labor or workmen. Therefore, every company is sticking to its core and only way forward is to stick with the core and the geography in which you are working till we have more resources in form of manpower. manpower means workforce available for executing the projects. The second thing is that the interface of the technology is increasing which means while it will reduce the requirement of workforce to some extent, but it cannot be replaced obviously, so we are to look at these two fronts while we agree to increase our revenue by 10% or 20% or 30%. So far, we have been able to do it quite efficiently and whatever geographies we are working, but I cannot deny the fact that it is the challenge and therefore the management bandwidth and the focus on geographical approach will be necessary.

Ashwin H:

Thanks, by any chance in the extreme cases, have you had to go slow on any projects because the manpower crunch in the past or do you see that happening in the next couple of years in anyway?

Rohit Katyal:

No, we have not seen that, but for example you have election time, then therefore, it is mandatory and as per law to permit the workforce to go to their respective villages whether it is UP, Bihar, Bengal, so obviously not we, but the industry is facing that crunch at the moment in time, but this is a normal trend, if there is election, there will be a crunch. If there is a festival, there will be a crunch. So these things are typical to the Indian market and it cannot be compared with other overseas market, but apart from this we have never foreclose or gone slow because of labor crunch. We have foreclosed the project if the payment has not come from the client and that is fair.

Ashwin H:

Thanks so much for your time. Indeed appreciate it.

Moderator:

Thank you. The next question is from the line of Nitesh Jain from Birla Mutual Fund. Please go ahead.

Nitesh Jain:

Sorry for chipping in again. Just one last thing, is the two projects which you mentioned you foreclosed because of some issues, what is the total the idling charges or the receivables which is there from these two clients or perhaps the expenditure which you would have incurred?

Rohit Katyal:

There are different reasons for foreclosing. We have not foreclosed project of Purva EVOQ because of any nonpayment issue. The project got suspended because of permissions from their side and the revised pricing which we submitted was not in line with the client's expectation. so therefore we let the project go. Purvankara is the very

esteemed client of ours, we continue to work with them in Bengaluru and in Pune and we will continue to bid for further projects also. The project was foreclosed because of payment issue where the idling matter came up was Radius Sumer and while I do not have the exact figures, I think the idling, which we got for three months was may be close to a Crores and a half.

Nitesh Jain:

Thank you very much.

Moderator:

Ladies and gentleman due to time constraint that was the last question. I now hand the conference over to Mr. Alok Deora for comments and then to the management for closing comments.

Alok Deora:

Thank you. On the behalf of Yes Securities, I would like to thank the management of Capacit'e Infraprojects for giving us an opportunity to host the call and also I would like to thank the participants for logging in. Over to you sir for closing comments!

Rohit Katyal:

Thank you very much. We will look forward to speaking to you all in the next quarter.
Thank you.

Moderator:

Ladies and gentlemen on the behalf of Yes Securities that concludes this conference.
Thank you for joining us. You may now disconnect your lines.

