



Ref : CIL/STEX 30-7/Q3FY18

Date : November 16, 2017

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 Conference call

We refer to our letter dated November 6, 2017 regarding the intimation of Analyst / Investor Conference Call on the Un-audited financial results of the Company for the quarter and half year ended September 30 2017, which was scheduled on November 9, 2017 at 4.00 P.M (IST).

In this regard we herewith enclose 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 & Compliance Officer



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**“Capacit'e Infraprojects Limited
Q2 FY2018 Earnings Call”**

November 09, 2017



ANALYST:

MR. ANUPAM GUPTA – IIFL CAPITAL LIMITED

MANAGEMENT:

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



Moderator: Ladies and gentlemen good day and welcome to the Capacit'e Infraprojects Limited Q2 FY2018 Earnings Call hosted by IIFL Capital Limited. This conference call may contain forward-looking statements about the company, which are based on the belief, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal for 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. Anupam Gupta from IIFL Institutional Equities. Thank you and over to you!

Anupam Gupta: Thanks Zaid. Good evening everyone and welcome to the conference call to discuss the Q2 FY2018 results of Capacit'e Infra. We have with us Mr. Rohit Katyal, Executive Director and CFO for Capacit'e and his Investor Relation Team on the call. Without any further ado, I hand over the call to Rohit for the opening remarks following which we will have the Q&A. Over to you Rohit!

Rohit Katyal: Thank you Anupam. A warm welcome to everybody on the call today, with me I have Damodar Aash and Mr. Amit Porwal. We have uploaded the investor release on the stock exchanges and I hope everybody has had a chance to have a look at the same.

Capacit'e Infraprojects was incorporated in 2012. Our business model and capabilities have been build around leveraging our understanding of various types of construction technologies in order to be able to manage complex construction site. Along with this, we believe in owning our assets and modern systems, which allows us a faster turnaround in project delivery and therefore better asset turns. All this has allowed us to build lasting relationships with clients ensuring continuous order inflows. We currently operate in three zones South, West and North with presence in MMR, Pune, Chennai, Kochin, Hyderabad, Bengaluru and MCR. Our access to technology enables us in speedy execution and therefore faster completion of projects, which ensures our association with large organized and marquee clients in these urban areas. Some of our clients with whom we have executed repeat orders include Lodha, Godrej, Ahuja, Puravankara, Transcon and Wadhwa Group. Few of other key clients include Obreroi Reality, Kalpataru Group, Bharti Realty, Sage group, Brookfield, the Saifee Burhani Trust, Radius and many others. These marquee clients have had years of delivery track record and have high levels of customer trust going for them. It is with these set of clients that we have built our business model. The combination of our technological capabilities to deliver a world class project coupled with the clients' focus on delivery of customer expectations proves to be a win-win for us and all our stakeholders. Our own technology is built around how we can deliver project in time with the best available technology thereby ensuring a happy customer and of course a continuous flow of orders especially repeat orders. We currently offer the best of technologies available globally. We have access to monolithic casting, modular and panel system, automatic climbing system formwork, tunnel form, table form and many more.



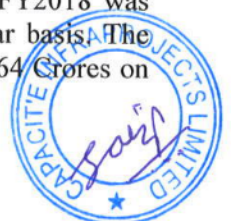
At Capacit'e, we have specialized in building construction so as to remain ahead and create an unmatched competitive edge in the market place. With this we have been successful in executing projects in super high-rise, high-rise, gated communities, villaments, institutional buildings and affordable housing projects. This wide array of capabilities has a huge advantage for us with organized players who may be engaged in a variety of projects and therefore see us as a credible construction player. Besides this we are also keenly focusing on executing projects with lock and key where the element of designs exists along with finishing responsibilities.

We are also focusing on build to use projects where we act as a one-stop provider. We have reached this far with a very strong outlook on our balance sheet. We have ensured we do few things right which we believe will go a long way in sustaining ourselves. Focusing on improving asset turnover by efficient deployment of resources and growing regional order books, and ensuring the debt is always manageable. Regional focus rather than pan India focus which ensures efficient utilization of our resources and thereby improves stakeholder value. High quality team of engineers and technicians to execute challenging and complex building projects in a timely manner. With the regulatory changes and improving sentiments and outperformance of our segment of clients that is organized real estate clients, we believe we are poised to capitalize on market opportunities.

Our strategy will be built towards focusing on building construction segment expanding an affordable housing segment, growing our order book on the lock and key basis, bid for design build, and targeted public projects, capitalize on RERA implementation which as a single largest government regulation benefiting the real estate segment and expanding presence in high growth and mature markets. With this I hope I have been able to give you a small glimpse on Capacit'e. I shall now move on discussing our financial and operational performance.

As on September 30, 2017 our order book stood at Rs. 4,705 Crores. The top five orders contribute to nearly 37% of our order book. In terms of ongoing sites, Western India comprises of 60.7%, South India 25%, while the remainder coming from North India. We have a total of 56 ongoing sites currently of which 24 are high-rise projects, 15 gated community, 10 super high-rise projects and reminder 7 are the other building projects. In terms of category residential segment forms 91% of the order book while the balance comes from commercial. In H1 FY2018, the key order wins for us have been World Trade Center project in Chennai by Brigade, the outstanding value of the project is Rs. 370 Crores, Godrej Emerald in Thane in the MMR area, this is our fourth project with the Godrej group whose outstanding value will now stands at Rs. 158 Crores, One Mahalakshmi by the Radius Group in Mumbai, this project has a outstanding value of 157 Crores. This order book does not include the recent order win from Arihant group valued at Rs. 825 Crores which when added takes our current order book close to Rs. 5500 Crores.

Now moving to the financials, the standalone revenue for H1 FY2018 stood at Rs. 597 Crores which represents a 16.1% growth as compared to H1 FY2017. The EBITDA for H1 FY2018 came in at Rs. 99 Crores corresponding to a growth of approximately 10%, the EBITDA margin for H1 FY2018 is at 16.6%. The net profit for H1 FY2018 was recorded at Rs. 34 Crores representing a growth of 28.5% on year-on-year basis. The margin for H1 FY2018 was 5.7%, the cash profit for H1 FY2018 is at Rs. 64 Crores on



absolute basis and it works out to a margin of 10.9%. Our gross debt to equity ratio as on September 30, 2017 stood at 0.19x. The net working capital days stood at 62 days.

This is all from my side and we can now open the floor for Q&A. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Chintan Seth from Samiksha Capital. Please go ahead.

Chintan Seth: Thanks for the opportunity and great set of numbers. Sir can you provide a brief outline how we actually execute a particular project, what is the model flow of work, management of cash flows as well, at which point of time we have to deploy our capital into the project and what kind of advance mobilization we get from the customer, which gets utilized over the timeline of the project? A brief outline how we get the project and how we progress in terms of cash flow and in terms of timelines.

Rohit Katyal: Yes, your question is basically encompassing our entire operations. I will just try to highlight the main points,. So, as you see that we are basically from private sector and therefore there is no L1 basis, we submit our technical proposal based on which we are qualified and subsequent to which the commercial understanding is arrived to between the client and us. The second part you asked was about our cash flows. So therefore all of our projects have an mobilization advance, interest-free from the client, on submission of bank guarantee or a corporate guarantee as the case maybe ranging between 5% to 10%, our billing cycle is monthly so it is not based to some specific timelines or milestones and we raise the bills every month, which means that in November we would raise the bill for work done in October, the bill so submitted will be certified and we will be paid between the 30, 45 days as per the work order terms and condition.

Chintan Seth: Okay the payments get collected in two and a half to three months for the work we executed.

Rohit Katyal: So, the nature of the business is such that we will get paid between 30 to 45 days but there is a time lag between the submission of bill and certification of the same. So, what you see in our balance sheet less the retention amount represents our collection program.

Chintan Seth: You mentioned of a strategy on entering public sector as well as affordable housing so, so far post IPO how the things in terms of opportunity over there what kind of feedback or inquires you are getting from the market.

Rohit Katyal: We are operating in the private sector and I mentioned in my opening remarks that our strategy towards public sector or government clients would be very client and project specific. So, we have been bidding for projects of NBCC and we will be bidding for projects of MCGM and alike and since we have not still won an award from these clients, as and when we win some award, we will come back to you. So our philosophy or the policy is very simple. As we do in private sector, we will have our client and project specific approach towards public sector also.

Chintan Seth: So that means we have some prequalification for that or is it similar to private sector?

Rohit Katyal: No public sector has a pre-qualification, but the company as it keeps completing projects is qualified to bid for certain decent-size projects and that is, as and when we keep growing our qualification, we will keep growing the value of the project which we bid for

in the government sector but that does not change the philosophy of again our client-specific approach as I explained.

Chintan Seth: And in affordable housing if you can.

Rohit Katyal: So affordable housing is not specific to the government. Private sector also has affordable housing and a huge chunk of our order book comes from affordable housing only.

Chintan Seth: So, the margins reflect affordable housing because we had a view that super-rise and others where you have some specialization, you have an edge over your competitors, that is why the margin is reflective of the competitiveness of your technological edge do we get such kind of margins in affordable housing project?

Rohit Katyal: So, answering your question about affordable housing, low-cost housing or high-rise or high-end housing that all depends on the land value and the interiors. As far as we are concerned, we are constructing affordable housing which are as high as 30 stories. So, the point is that there is no difference in our margins and EBITDA expansion happens on different parameters and not on the basis of affordable or high-premium buildings.

Chintan Seth: Understood I will join back in queue. Thank you.

Moderator: Thank you. Next question is from Amit Jeswani from IIFL. Please go ahead.

Amit Jeswani: First thing is about the receivable days, the receivables more than 6 months averaging from Rs. 10 Crores to Rs. 50 Crores this year. So, can you give a heads up why this has happened?

Rohit Katyal: Sorry can you please repeat the question.

Amit Jeswani: The receivables more than 6 months of Rs. 10 Crores in March to about Rs. 15 Crores in September 30, so do you want to give a heads up why that this happened and are we facing some problems with the receivables because our receivables have gone up from Rs. 330 in the March to about Rs. 470 this year.

Rohit Katyal: So, Rs. 337 Crores included that cash retention part in March 31, 2017. When you remove the cash retention part it comes to approx. Rs. 237 Crores and this Rs. 237 Crores obviously is including taxes which we have to claim from the client. When you gross my revenue including taxes that would come to about 59 days as compared to my revenue as on 31st of March alright.

Amit Jeswani: Right.

Rohit Katyal: Now let us compare that with 30th of September, we have moved to Ind-AS and therefore bill discounting which was earlier excluded from our receivables gets added so Rs. 33 Crores is the addition on account of the bill discounted which now cannot be netted out but has to be gross to the debtor. If you reduce that and also you reduce our cash retention of Rs. 100 Crores you will see that the level of the Rs. 300 Crores or about Rs. 237 Crores remains at same level as of 31st March. You have to annualize my turnover to come to an actual receivable days. So, coming back, if from Rs. 400 odd Crores which we are showing as receivables, you remove Rs. 33 Crores of bill discounting and you remove



Rs. 100 Crores of retention, you would come to the same level which was there prevailing as on March 31, 2017. Hope I have answered your question.

Amit Jeswani: Yes. Thank you so much. Just one more question, we still have about Rs. 130 Crores of debts on our book and we have about 376 Crores of cash on books, would we repay this debt?

Rohit Katyal: So, you are looking at the gross level. As on 30th September we had practically not utilized or deployed any money in the growth capital because we got listed on 25th of September, so when you compare my gross debt of approximately close to Rs. 150 Crores and net it off with the fixed deposit receipt excluding the IPO money that would still come at about Rs. 82, 83 Crores and that was a level or it is a level lower than what it was on March 31, 2017. So now second question is whether we would like to repay the loan. This money has not been taken for repayment of loan which as it is very, very low. It is for growth capital to provide margins for long-term working capital so that we can take bigger ticket size projects like the one we have recently bagged and therefore grow the business. On an absolute basis obviously, we are sitting with an upward of Rs. 250 Crores cash on books.

Amit Jeswani: Right Mr. Katyal, Mr. Katyal since we are a growth focused company, what kind of growth rate should we expect, organized real estate is doing well and since this quarter was probably affected by RERA but going forward what kind of growth should we expect from your company?

Rohit Katyal: You have seen our order book I just mentioned that with the latest order win, we are close to 5500 Crores alright and this has to get over on an average of three and a half years. I hope you can get a decent sense of what growth we are looking at?

Amit Jeswani: So, a lot of this part will be front-ended or back-ended for the growth path?

Rohit Katyal: I did not get your question front-ended or back-ended. What I am trying to say that since we bill on a monthly basis on actual work executed we have been decently growing and obviously the first half generally is a muted year because of the heavy monsoons which you face in Q2 and end of Q1, so if you compare our growth what we did last year, you should get similar sense or what we will be doing in the current financial year because it would be incorrect to give a very large figure or something which cannot be substantial at this moment in time.

Amit Jeswani: Congratulations again Mr. Katyal thank you so much.

Moderator: Thank you. Next question is from Nitin Arora from Aviva Life Insurance. Please go ahead.

Nitin Arora: Sir just one question when we look at your gross block and your depreciation, can you tell us what kind of a stuttering material you are using are you using a Mivan quality or a batten and ply here.

Rohit Katyal: Nothing which is batten and ply goes into capex but expensed out on the P&L face value. What goes in Capex is monolithic casting what commonly you known as mivan formwork what goes into that is the R&D formwork, Doka formwork, Ulma formwork.

the tower cranes, the concrete forms, and so on. The core assets in short go into the gross block or the net block.

Nitin Arora: And what is according to you the life of a Mivan formwork as of now?

Rohit Katyal: So what the Mivan formwork is more project specific, Mivan formwork consist and comprises of the panel part which is 70% and the replaceable or what gets defunct after the project lifecycle which is 30% so 70% of your standard panel has a life of about 15 years and what is to be replaced what we expense out generally our priority project is a 30% which you have to purchase new ones as you move from project A to project B.

Nitin Arora: But you are saying when you purchase from a project-to-project basis, when you go to the next project the average life assume from a Mivan formwork is 15 years.

Rohit Katyal: 15 years but it is not like that. It is generally the repetition so you have a 250 repetition what you do in Mivan formwork. So generally even 15 years is less to have a 250 repetition, what am trying to explain is that in a Mivan formwork it is made of standard and nonstandard part, standard panels have a long life of 15 years and the reminder are expensed over the project lifecycle so as you move that standard balance to the next project you have to again spend for that 30% or 25%.

Nitin Arora: The second question was with respect to your receivables where you mentioned that please net off the cash retention part and then you look at to the turnover, if you can explain it in detail why a cash retention should be excluded from a billing perspective if I have to look at your receivable days.

Rohit Katyal: Generally if the project would not allow the retention to be paid against the bank guarantee it would be sitting in my long-term assets that I would not have got that money and that would have become a part of my long-term working capital. In our cases we do not have cash retention. The company is relatively new and only tied up with current year's financial requirements about a month back so we are in the process of issuing guarantees to get our cash retention back. So I was just trying to at last since the cash retention is forming a part of the current liability which is the receivables current assets and therefore I was telling that if you want to compare apple-to-apple with the March numbers you have to take out the cash retention, because have we been doing government projects this amount would not be receivable till the time you would be completing the project.

Nitin Arora: But any which ways the government projects what you want to do it in future if they do not give you in advance any which ways you have to give a bank guarantees to them as well so the cash retention does not move out.

Rohit Katyal: No, advance is different and retention is different whether government project or private sector project, advance is separate, advance is what you collect for starting the project. There is a bank guarantee for that and retention is which is deducted as 5% from your earning bills for which you may not be able to give a bank guarantee in government project but in private sector across our clients we can just give the bank guarantee and replace the cash retention by the guarantee.



- Nitin Arora:** That is what I was trying to say that I was not talking about advance at all that is what I was about to say that if I do an apple-to-apple comparison it is absolutely reflective that the cash retention because our company on that the private side is giving not the bank guarantees part, the cash retention should be seen as the part of the project, should not be separated that is what I was trying to say.
- Rohit Katyal:** You are right, as on a specific date but since we have now started giving our guarantee, this cash retention will come out in the subsequent month that means in Q3 and Q4 and therefore I was just trying to mention that when you look at our entire receivables that consists of a retention component of 100 Crores that was the point I was trying to explain.
- Nitin Arora:** And Sir just last question on your gross block is it possible to share what is your standard formwork absolute value?
- Rohit Katyal:** I do not have that information handy, request you to kindly send us a mail for the same and we shall be happy to get back.
- Nitin Arora:** Perfect sir it will be great to see how a formwork works for 15 years, really thank you very much for that.
- Moderator:** Thank you. Next question is from Nitin Aggarwal who is an Individual Investor. Please go ahead.
- Nitin Aggarwal:** My question is for Mr. Katyal regarding the order book and the strength you see going forward in your order book and how you look at executing these in a timely basis?
- Rohit Katyal:** So the order book as I explained stands at about Rs. 5500 Crores as on today, including the recent order win from Arihant, which you would translate to approximately three times our future order book which we have been always saying that we will be trying to maintain 2.8 to 3.2 times. So this is how we will be looking at our order book and our total estimate for the current financial year was close to Rs. 2200 Crores of which Rs. 1800 plus Crores has already been booked. With five months to go we believe that we should have little trouble in closing the Rs. 2200 Crores target at order book for the current financial year which would translate again as on March 31, 2018 into approximately three times of our FY2019 projection.
- Nitin Aggarwal:** And coming to the second question regarding the margin front I will see margins as a challenge going ahead with the rise in commodity prices?
- Rohit Katyal:** All our order book consist of a complete pass-through clause for all commodities which includes the concrete, steel, tiles so on and so forth so our order book is totally nonspeculative and therefore you cannot have an enhancement in the PAT margin or any reduction in the PAT margins due to fluctuation in commodity prices.
- Nitin Aggarwal:** So which means that if I take your gross order book, then I can derive your expected profitability.
- Rohit Katyal:** What I said is that you can do that, but the point is that, I mentioned that there is nothing speculative about the commodity prices which means if the commodity prices dip I do not



make money and if it goes up I do not lose any money alright so that is a natural cover or natural hedge by the very virtue of the contract condition.

Nitin Aggarwal: Thank you very much sir.

Moderator: Thank you. Next question is from Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir just wanted to understand in terms of the margins specifically if I remove the other income to calculate the EBITDA margin, the first half of last year FY2017 was 16.2% EBITDA margin and the second half of FY2017 was 11% EBITDA margin so why there was a dip- I am just trying to understand the FY2017 first half was 16.2% EBITDA margin and second half was 11% so there is a 520 bps of variation and this first half we did a 15.5% so how do we understand and how do we forecast.

Rohit Katyal: You will appreciate that any construction company you have to not look at from a three or six month perspective, basically what we are comparing at the moment is the first six months of the current financial year with the corresponding six months. If you have gone through our press release and what the results which we have published on the stock exchange, we had audited balance sheets for 30th June of last year and 31st December of last year and 30th of September was subjected to very limited review internally and therefore we are comparing the whole six months to the previous six months. Coming to the second part of your question, so the EBITDA percent – EBITDA at the last year level was 15.97% and at the current year is 15.31% can you please tell me what details you would like to know in that?

Shravan Shah: Sir I just wanted to know how shall our EBITDA margins look like going ahead. I also understand that this is a project lifecycle so margins will revert, if I look at the first normally it does not move that significantly so in the second half of financial year FY2017 your EBITDA margin excluding other income was 11% but in the first half it was 16.2% and this first half it is 14.9% so trying to understand the reasons for the same.

Rohit Katyal: What I am trying to tell you is that on the full year basis, we have been maintaining an EBITDA of approximately 13.7% to 14.5% and that is what you can expect going forward also.

Shravan Shah: So that is including other income you are saying? your EBITDA margin is including other income.

Rohit Katyal: Yes, that is the way of accounting the other income is nothing but the interest what you receive from bill discounting charges had it not been a part of other income, it would have been netted out from the interest income of the cost. So it would not impact the EBITDA any which ways. It is only a representation as per the accounting standards and that other income is nothing but the interest which we receive from bill discounting and the margins which we give to bank guarantee.

Shravan Shah: True and sir in terms of the capex how much we did in the first half and for FY2018 and 2019 in IPO, we mentioned about Rs. 37 Crores and Rs. 15 Crores, total 52 Crores so will it change post the kind of order we are receiving.



Rohit Katyal: So the whole year's budget is approximately Rs. 75 Crores for the current financial year and that on a conservative basis as it said that 75 for 2019 and 2020 also in the current year including capital work in process is approximately close to Rs. 50 Crores.

Shravan Shah: And so first half how much we have already done the capex?

Rohit Katyal: It is Rs. 50 Crores including capital work in process.

Shravan Shah: That is it from my side and all the best.

Moderator: Thank you. Next question is from Vijay Gaur from First Global. Please go ahead.

Vijay Gaur: My question is Sir, our net raw material expenses has gone up by 142.4% Q2 FY2018 as compared to Q2 FY2017 why so and what are the components as a percentage of raw material, key components two to three components.

Rohit Katyal: It is project specific you have to add consumption of material along with other construction expenses to look at the actual deviation. So that is dynamic and depends on the nature of the project you are executing. Now the second part is as a thumb rule in a shell and core business, that means without finishing your consumption would be close to 41% to 43% depending on the nature of the project but on a general basis 42% and this is dynamic, it will move but overall would remain between that 66%, 67% range. Maybe it could increase on a particular quarter but over the year it would be close to 67% to 68%.

Vijay Gaur: My second question is Sir, can you share us business mix as a business segment, gated community or as we have at our order book gated community, villa, super high-rise buildings and margin from that.

Rohit Katyal: So it will take a very long time but what we can tell you is that super high-rise have the maximum EBITDA because obviously the competition is very limited and for various projects it varies between that means between about 10.5% to 11% going up to 18%, 18.5% so average as I explained earlier also between 13.7% to 14.2% on a full year basis.

Vijay Gaur: Any five clients contribution, key five clients Sir.

Rohit Katyal: So that was dynamic, with every new order win that keeps changing but at the moment the top five clients take about 36% of the order book.

Vijay Gaur: Thank you Sir.

Moderator: Thank you. Next question is from Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: My question is mainly on this working capital part because now if you will start replacing the retention money part with bank guarantees would the overall working capital requirements at a company level would they reduce than what it has been historically or would they broadly remain same.

Rohit Katyal: It will reduce because as I explained Rs. 100 Crores is the retention amount obviously it is not going to come out in a hurry and it basically within one month but we have given



ourselves four quarters to liquidate the entire retention so you will definitely see at least about Rs. 35 or Rs. 40 to 42 Crores of retention getting released in the current financial year, number one so it will definitely reduce the working capital requirement of the company (a) or it would be substantial or visible at the lower the greater level going down but more or less your net working capital would continue to be between 50 to 65 days it may become a five, six days quarter-to-quarter but on a yearly basis on let us say a 12-month period it will be about 55 to 60 days.

Digant Haria: If I have to just see that your order book of Rs. 5500 Crores gets executed in three years it is roughly 1800 Crores of execution per year so for this 1700, 1800 Crores of execution per year what would be the overall working capital that or the peak working capital that we would be going like would it be around 300 Crores based on that 60 days kind of an assumption.

Rohit Katyal: Yes have hit the bottom. That is right.

Digant Haria: My last question is that see we have got a lot of projects like the order book is good enough and what are we planning in terms of quick execution of this that there are no slippups and no risks to the margins because I assume that if we delay or if we are not able to execute that is the only way our EBITDA margins fluctuate a lot more than usual.

Rohit Katyal: I cannot talk about the future. Obviously we are one segment company. Operational efficiency is something very core to the entire business operations and if you look at how the company has been performing over the last three years you will see that there has been improvement in EBITDA margins improvement in asset turnover ratio, improvement in cash profit, improvement in the net cash which we generate from operations so obviously that will only happen if there are operational efficiencies. Most importantly the net cash, which we have generated from operations that should be a big trigger for you to arrive at how, the company is performing at the operational level.

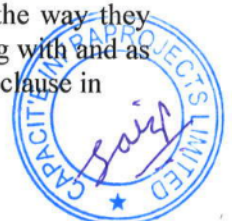
Digant Haria: Just one more follow up to the previous question is that if our peak working capital requirement is 300 Crores only for executing that 1800 Crores kind of a order per year we may not have to take more debts and what we already have right the debt levels are more or less remain at the same levels for at least a year or two?

Rohit Katyal: Friend if you look at our gross debt you can forget about the IPO fund which of a long-term working capital the net that has been reducing over the last seven quarters and we do not see any reason why on absolute basis the debt will go up in the coming year and a half two years but yes if you see a increase of 5, 7 Crores in one quarter that should not be constitute as a reflection of the whole year.

Digant Haria: Thank you and all the best.

Moderator: Thank you. Next question is from Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Good evening Sir. Thanks for taking my question. Most of my questions have already been answered just one basically a clarification so when I met you the last time during the IPO meet you seem to be apprehensive of working with NBCC because the way they structure their projects be there and the kind of timeline that they are working with and as well as the way they structure their contracts there is no price cost escalation clause in



their contracting days but I think in your remarks earlier during the call you said you are right to work with NBCC as well as MCGM so what is change this – what has led to the change in strategy within and now we are comfortable working with NBCC?

Rohit Katyal: So when you asked me the question last time I told you the projects which are sub 200 Crores the compressive period is 18 months and then the project of 18 months and lower there is no price escalation available and we are not interested in executing that projects. The projects we are interested in are more than 18 months where the price variation clause is applicable where there is a mobilization advance and where there is retention release against the bank guarantee. In my answer to the earlier question posed by one of your friends what I said was that it is a very client specific, project specific approach and since we have a very, very strong private sector standing we have been no hurry to go and capture some government project what I informed or told to you during our first meeting that remains so it will be a client specific project specific approach that does not change at all.

Prem Khurana: Sure, so if I did understand you correctly and you would now have bed for Pragati Maidan kind of project wherein the timeline is 24 months Rs.2200 Crores of order and then no escalation right?

Rohit Katyal: We would not have.

Prem Khurana: Thanks a lot that explains.

Moderator: Thank you. Next question is a follow-up from the line of Nitin Agarwal who is an Individual Investor. Please go ahead.

Nitin Agarwal: Coming forward to the execution of order book I would like to know that today we stands on a approx. 5000 Crores plus order book and then going forward how can you expedite this so that we can bid for more orders aggressively and increase the topline of the company?

Rohit Katyal: The company focus is on a strong balance sheet and operational cash flows so the topline will be governed by the operational cash flows, which the company makes year-on-year that means if you look at last year, we made 60 Crores from operations and there the first half of the current financial year the company has made 56 Crores of cash flow from operations. It is not only on being aggressive on the topline. That will obviously happen you see we are of the belief that if you generate cash from operations, if you are making decent cash profit margins then the topline growth will automatically happen but not the vice versa, which means if I do the topline and do not make cash flow from operations then two years down the line you will start seeing a bit in the performance so our projects basically are all from modern formwork systems. They have a predetermined completion period and we are well on track to doing that. It cannot be hasten because a decision to view the particular formwork or a technology is taken before starting the project and not midway so whatever timelines have been accorded to various projects that will remain. What we are doing is improving our management and operational bandwidth to like we have just appointed Mr. Saroj, Chief Executive Officer with all things and operational efficiencies are being done to maybe take on more projects at a given time that will improve the topline without compromising on the bottomline.



Nitin Agarwal: Just a follow up to my question again so does the current order book level mix you are satisfied with your orders on hand or you looking at more orders going forward?

Rohit Katyal: You see that is very dynamic question. We keep bidding for projects we have an existing client base of about 25 marquee, 30 marquee clients so obviously if a Godrej would to come up and say do a repeat order, we are not in a position to refuse that but I for the moment as I explained earlier also our target is to do 2200 Crores of order book so for sure 400 Crores will be taken and beyond that it has to be a very exceptional client new or existing to further take orders. So will another addition of 400 Crores we are well in place for the next three financial years as I explained earlier also.

Nitin Agarwal: Thank you very much.

Moderator: Thank you. Next question is a follow-up from the line of Chintan Seth from Samiksha Capital. Please go ahead.

Chintan Seth: Thanks for the follow up. Sir if I see your last three four years growth the revenue have been growing like ten times and if you look at gross block we have seen that has also grown at three, three and half times so from the current base of our gross block what kind of asset turn we can expect or is it the last year numbers is more reflective to future asset turn for the company?

Rohit Katyal: Firstly, the asset turnover ratio has to be taken only on the basis of the core assets the company owns and not be other assets. On the basis of net assets we have done 4.2 times of asset turnover ratio last year and we believe that we should be broadly in the same range in the current financial year also.

Chintan Seth: So what is the value last year and what is it right now?

Rohit Katyal: 85% will be the core asset.

Chintan Seth: 85% will be the gross asset.

Rohit Katyal: No core assets that is the plant and machinery.

Chintan Seth: Sir we have some pledged shares with JM Financial as per DRHP, is it?

Rohit Katyal: It is released before September 30, itself.

Chintan Seth: How do we actually map our progress in terms of a unit like we do track how much square feet of area we have constructed or what kind of physical number we look at for?

Rohit Katyal: It is the EPC I will just correct you as I told you we are an EPC contractor and square feet is not important what work we do on a monthly basis is build and the physical and financial progress is something which we keep track on.

Chintan Seth: So are there any operational parameters you track you mentioned that monthly billing has on one side and second is on the physical completion order position?

Rohit Katyal: Yes we track on the basis of original budget and revised cost to complete.

Chintan Seth: So there is no quantitative number to it?

Rohit Katyal: For every project, each project.

Chintan Seth: For each project you track monthly billing as well as your physical completion? Physical completion how do you track based on the budget and cost as you mentioned or is it?

Rohit Katyal: So first you have a plan of which is based on quantity which is known as physical in your language and when you multiply that quantity with a rate it becomes financial progress so it is basically linked number one the revenue is tracked every month but what is most important is to look into the budget what is cost to complete so that you are not compromising on your budgeted profitability.

Chintan Seth: Do you provide the physical aspect of the quarterly execution?

Rohit Katyal: No that is for a developer or a company who is into a product. We are construction. We have ongoing projects we are giving you the order backlog because order backlog comes from the existing project maybe about 14 of them are on the virtual completion stage and other than that they get completed we will keep you informed.

Moderator: Thank you. Next question is a follow-up from the line of Vijay Gaur from First Global. Please go ahead.

Vijay Gaur: Sir my very basic question here we have a very small story like five to six year story and a short story and that number of players are a very large and old what is enabling us to get a such a large project and quick projects?

Rohit Katyal: We are very thankful to our clients. We believe that the operational efficiencies which we show at the project site and that is the only and main reason for we getting projects, answering your other questions there are big players like Larson & Turbo, there is Shapoorji, there is JMC but then we believe over the last two years, from a technical perspective and quality perspective we have been treated at par by all these marquee clients.

Vijay Gaur: One more question we have our order book 91% comes from a residential construction and we have a good command in Mumbai any market share any range any market share you have?

Rohit Katyal: It is not only Mumbai because we started in Mumbai obviously on an absolute basis Mumbai MMR - Mumbai MMR is a very big area like Delhi NCR, NCR we have hardly any project in Delhi, a lot of that comes from NCR. So similarly in Mumbai a lot of projects comes from MMR so since we started in Mumbai on an absolute basis the order value will be higher in Mumbai but if you look at the percentage growth south zone has been growing at the fastest level, secondly we are present in seven of the eight cities in the country and order book is very dynamic for us it is a quality of the client which is of paramount important because that is the only way we can take care of all our stakeholders whether past or future.

Vijay Gaur: Sir one more question what kind of the NPM we are expecting net profit margin?

Rohit Katyal: We would request you all to look at the cash profit margin because depreciation is dynamic. We have the audited numbers of March 31, 2017 the whole year depreciation



was 17 Crores and if you look at the current year depreciation for the first seven months is 27 Crores and therefore we are again and again harping on the cash profit rather than net profit because we have already move towards Ind-AS and certain changes as required under the statute are being done by our auditors.

Vijay Gaur: Sir any guidance for a tax rate?

Rohit Katyal: Sorry.

Vijay Gaur: Any guidance for a tax rate for the next one to two years.

Rohit Katyal: We are paying full tax rate.

Vijay Gaur: Thank you.

Moderator: Thank you. Ladies and gentlemen we will take our last question now, which is a followup from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir as you were mentioning about the depreciation so the change in depreciation or rather increase in depreciation significant it is mainly because of the Ind-AS only.

Rohit Katyal: It is because of Ind-AS.

Shravan Shah: So in terms of what now you are considering life of asset or how why it has changed or the rate what rate are you taking now?

Rohit Katyal: Basically number one the site establishment, which earlier was in stock if you looked at the stock levels they have come down by 65 Crores or so. So the site establishment ahead, which was earlier in the stock has been moved to the fixed asset block, which will be amortized over the project life cycle that means if the project is two years three years this entire 60 Crores will get amortized over the two and a half, three years. Number two as a policy any and all assets below Rs.30,000 will not be capitalized earlier we use to capitalize anything about Rs. 5000 as per accounting standard, now below Rs. 30,000 nothing will be capitalized and will be expensed out immediately so these are the two major accounting policy changes which has been carried out.

Shravan Shah: If you can give us the revised gross block as on FY2017 and as on September 30.

Rohit Katyal: Do not have that number handy, request you to kindly send us a mail and we shall be happy to help you.

Shravan Shah: Other question is Sir how many number of projects are more than Rs. 500 Crores in the Rs. 5500 order?

Rohit Katyal: At the moment three reminder order book maybe little lower than that but totally three.

Shravan Shah: I was talking about outstanding more than 500 Crores is you are saying maybe one or two?



Rohit Katyal: Sir in terms of the first half this revenue contribution has the entire number of projects has contributed in terms of the revenue or is there anything I am talking about particularly which was there as on FY2017 Rs. 4,600 Crores order book so entire order book has contributed in terms of the revenue.

Shravan Shah: All are completely operational order book. Obviously the project which is on design build basis will start contributing from January, which is not on design build basis which is only, one project all other projects are contributing in the manner they are to contribute as per the completion schedule.

Rohit Katyal: Thank you and all the best.

Moderator: Thank you very much. Ladies and gentlemen that was the last question I now hand the conference over to Mr. Gupta for closing comments. Over to you!

Anupam Gupta: Thanks Zaid. Thanks everyone for the questions. Rohit if you have any closing comment please do right now and we can close the call?

Rohit Katyal: I would like to thank everyone for joining on the call. I hope we have been able to respond to your queries satisfactorily we are on an exciting path of growth and believe that current regulatory changes that will have a positive uptick for organized players like us. For any information, we request you to get in touch with us or SGA our Investor Relations Advisors. Thank you.

Moderator: Thank you very much. Ladies and gentlemen on behalf of IIFL Capital Limited that concludes today's conference call. Thank you all for joining us. You may now disconnect your lines.

