CAPACIT'E
INFRAPROJECTS LIMITED

Ref : CIL/STEX30/Q4FY23
Date: June 02, 2023

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 30, 2023

We refer to our letter dated May 23, 2023 & May 26, 2023 regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company during Q4 & FY23 which was scheduled on Tuesday, May 30, 2023 at 02:00 p.m. (IST).

In this regard, we are attaching 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.

Thanking you,

Yours faithfully,
For Capacit'e Infraprojects Limited

Rohit Katyal
Digitally signed by Rohit Katyal
Date: 2023.06.02 10:17:39 +05'30'

CAPACIT'E INFRAPROJECTS LIMITED

Rohit R Katyal
Executive Director & CFO

Encl: a/a

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“Capacit'e Infraprojects Limited

Q4 and FY '23 Earnings Conference Call”

May 30, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th May 2023 will prevail

MANAGEMENT: Mr. Rohit Katyal – Executive Director & Chief Financial Officer
Mr. Alok Mehrotra – ED, Finance
Mr. Nishith Pujary – Head Accounts & Taxation

Moderator: Ladies and gentlemen, good day and welcome to Capacit'e Infraprojects Limited Q4 and FY23 Conference Call. As a reminder, all participant lines will be in 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 star then zero on a touchstone phone. Please note that this conference is being recorded.

Before we begin, a brief disclaimer. The presentation which Capacit'e Infraprojects Limited has uploaded on the Stock Exchange and the website including the discussions during this call contains or may contain certain forward-looking statements, concerning Capacit'e Infraprojects business prospects and profitability, which are subject to several risks and uncertainties and the actual results could materially differ from those in such forward-looking statements.

I now hand the conference over to Mr. Rohit Katyal, Executive Director and CFO. Thank you and over to you sir.

Rohit Katyal: Good afternoon, everyone. On behalf of Capacit'e Infraprojects, I welcome everyone to the Q4 and FY23 earnings conference call of our company. Joining me on this call is Mr. Alok Mehrotra, Mr. Nishith Pujary and our IR 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 as well as in our company's website.

The performance of financial year '23 has been satisfying, as we continued to accelerate profitable growth and build our position as a leading building EPC company and its segments of operations. With a healthy order book and sustained order inflow and our expertise in executing and delivering projects on-time, we are optimistic that we shall witness a healthy and sustainable growth. We will continue to expand our reach, invest in our talent pools and unlock efficiencies to deliver robust performance year-after year.

Certain key updates. The company has been awarded projects worth INR3,462 crores, excluding GST in FY23. Most importantly, the company recovered INR28 crores in cash, and INR24 crores in property via the NCLT route against slow-moving debtors over and above the normal collection during the last quarter.

I will now turn to performance highlights for Q4 FY 23.

Revenue from operations for Q4 FY23 grew by 27% to INR439 crores as compared to INR347 crores in Q4 FY22. The EBIT for Q4 FY23 grew by 77% to INR58 crores as compared to INR36 crores in Q4 FY22. The PBT for Q4 FY23 grew by 131% to INR36 crores as compared to INR16 crores for the corresponding period last year. PBT margin for Q4 2023 stood at 8.3% as compared to 4.5% in Q4 FY22.

EBITDA for Q4 FY23 grew by 46% to INR85 crores as compared to INR58 crores in Q4 FY22. EBITDA margin stood at 19.4% in Q4 FY23 as compared to 16.7% in Q4 FY22. PAT for the quarter FY23 grew by 88% to INR21 crores as compared to INR11 crores in Q4 FY22. PAT margin for Q4 FY23 stood at 4.8% as compared to 3.2% in Q4 FY22.

Performance highlights for the full year ended FY23.

Revenue from operations for FY23 grew by 34%, to INR1,791 crores as compared to INR1,340 crores in FY22. EBITDA for FY23 grew by 56% to INR360 crores as compared to INR232 crores in FY22. EBITDA margin for FY23 stood at 20% as compared to 17.1% in FY22. EBIT for FY23 grew by 69% to INR224 crores as compared to INR133 crores in FY22. EBIT margin for FY23 stood at 12.4% as compared to 9.8% in FY22.

PBT for FY23 grew by 105% to INR135 crores as compared to INR66 crores in FY22. PBT margin for FY23 stood at 7.5% as compared to 4.9% in FY22. PAT for FY23 grew by 95% to INR94 crores as compared to INR48 crores in FY22. PAT margin for the financial year 2023 stood at 5.2% as compared to 3.6% in FY22.

The gross debt stood at INR366 crores with gross debt-to-equity at 0.34 while net debt stood at INR183 crores with net-debt to equity ratio at 0.17. The working capital cycle excluding retention stood at 117 days in March 2022 and improved to 105 days in March 2023. We are focused towards meaningful reduction in working capital during the current financial year.

The company continued its focus on increasing execution across projects. The order book on standalone basis stands at INR9,513 crores as on March 31, 2023, public sector accounts were 70%, while private sector accounts were 30% of the total order book. We now open the floor for question. Thank you.

Moderator: We have first question from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: So, my first question is on the, of course, we have touched INR450 crores odd number for the quarter for the revenues in FY23. How do you see FY24 and 2025 based on the current order book. Do you think more than INR500 crores deposit per quarter in the near-term.

Rohit Katyal: I think your question was pertaining to revenue for the next two financial years.

Mohit Kumar: Yes.

Rohit Katyal: So, given the current order book, the company has to grow by 18% to 20% year-on year. The second part of your question was in absolute terms. So, a quarterly prediction cannot be given. But on the whole year, the company is confident in growing between 18% to 20% from the base of FY23 and further 18% to 20% from the base of FY24.

Mohit Kumar: Second question is on the order inflow outlook. How does it looking like given the bidding pipeline as of now.

Rohit Katyal: So as a policy of the company over the last two years has been trying to take orders to the extent of the revenue, however the last financial year was exceptionally good as against the target of INR2,000 crores plus we got something close to INR3,500 crores. The current year 20% growth target means that we have to book somewhere in close to INR2,100 crores, INR2,200 crores of fresh order book.

However, given the current bid pipeline, we believe that we should be easily able to surpass that. Now bid pipeline comes from both private sector and government sector. Private sector we will be focusing on our existing clientele. We have added DLF and Adani over the last financial year. However, we do not intend adding any new private sector client in the current financial year. So, we will be looking at repeat orders from the existing clients.

The government bid pipeline both in housing and medical is very strong. As I speak, we continue to bid. However, given the current order book and the revenue target, we have an opportunity to be choosy about the orders which we intake. One thing is clear that any order inflow has to be attributed to the margins, which the company is making and that is something which the company will be focused on.

Mohit Kumar: Third question on Adani. Adani, does it open-up the opportunities for you for Dharavi redevelopment at some point of time?

Rohit Katyal: We believe that we are doing a good job for the client. However, whether it opens up avenue or not, it's very difficult to say at this moment in time. Because that's something which the sales buildings will come up at a later stage. So, I am not aware, whether it would be appropriate for me to comment on client-specific strategy, however, across our clientele in the private sector, all the clients are doing very well and there will be an opportunity which will present itself across the clientele which we are working with. So, no specific for Adani, but yes, if we get an opportunity, we will definitely weigh that up.

Moderator: We have our next question from the line of Parvez Qazi from Nuvama Group.

Parvez Qazi: So, couple of questions from my side. First, at overall company level, while obviously, order intake has been very good, our execution going ahead were obviously depending upon how we manage working capital cycle and the liquidity. You did mention that you were able to get some amount through NCLT. How do we see, one, working capital cycle going ahead and second, both our fund and non-fund-based liquidity from the banking system in FY24.

Rohit Katyal: Let's come to the working capital cycle. The overall reduction has been approximately 12 to 13 days in the last one year. It has been not to our expectation, we expected better. However, that 12 days increase from December to March should not be read into. We do believe that there is a scope of reduction of 20 days over the next four quarters, which will release a lot of working capital. That's number one.

On the non-fund-based side of limits, we have already tied-up INR150 crores, and we expect to tie-up another INR250 crores or thereabouts by quarter two of the current financial year. That should take care of our bank guarantee requirements for the whole financial year. So, the company will be cautious on the working capital cycle. And obviously, non-fund-based limit is the lifeline of any construction company, partially has been tied-up, the balance tie-up we expect to complete before September of the current financial year.

Parvez Qazi: I'm sorry, I missed the number. You said additional INR200 crores or INR250 crores?

Rohit Katyal: INR250 crores. Additional INR250 crores on the higher side. Non-fund-based limits -- non-fund based.

Parvez Qazi: Yes. The next question on the status of the MHADA and the CIDCO orders where do things stand today and what kind of execution can we foresee on them in FY24.

Rohit Katyal: So MHADA during the last quarter as I had informed, eight buildings were handed over. Eight buildings amounted to about INR1,500 crores of execution at the SPV level that is Tata Project Capacit'e Infra joint venture. Additional six buildings have been handed over in the current quarter. That is the first quarter of the current financial year. So therefore, out-of-the total 33 buildings, totalling to about INR5,000 crores, we have received just little under 50% of the entire scope. Of this, 35% has been subcontracted by the JV to Capacit'e Infraprojects Limited. So, we do believe that close to INR200 crores or INR225 crores will be the revenue in the current financial year at the site at the current project of MHADA.

SPV level, obviously, the revenue will be close to INR550 crores, INR600 crores, which I had guided earlier also. However, we should not be taking that by the books, we will be only recognizing the margin to the extent of 35% on our standalone financials. Secondly, CIDCO location number seven has already been handed over.

The environmental clearance which was the responsibility of the client came in 15 days ago. The site levelling is currently under progress and therefore we should see the location seven revenue also positively kick-in from quarter two of the current financial year. And therefore, we are confident that from quarter two onwards, the company will be grossing close to INR45 crores to INR50 crores of revenue per month from CIDCO project alone. Hope I have answered your question.

Parvez Qazi: Sure. And lastly, let's say by the end of FY24, what kind of debt levels do you expect in the company?

Rohit Katyal: So, the repayment in the current year of the term loans is close to INR42 crores. So, you should expect a reduction of INR42 crores minimum on the fund-based limits of the company.

Moderator: We have our next question from the line of Faisal Hawa from H.G. Hawa and Company.

Faisal Hawa: We were told that from now onwards, the EBITDA will be around 20%. But even in this quarter, the EBITDA has not reached the market. Even the revenue we could have done much better, because there are no monsoons and the seasons are much more favourable. So why are we not able to really breakthrough on the revenue and what is the revenue we are now targeting for FY23-24.

Rohit Katyal: So first of all, the EBITDA for the full financial year is 20%. We guided for the full year. I request that this quarterly plus 0.5% up down should not be read into too much after all the projections are for 12 consecutive months. So, if I'm giving you something during September, you can monitor that from October 1, September in the -- you know 12-month period and then whatever projections I'm giving you will be satisfied or maybe even happy, that's number one.

Number two, the total guidance for revenue for the full financial year was INR1,800 crores on a consolidated basis. Our revenue from operations stood at INR1,792 crores and this is after two of the major projects in private sector, one from Oberoi and one from Sheth Creators being executed on contracts without concrete and steel. If I would add that value, then the revenue would be close to INR2,100 crores or so.

However, that does not make logical sense because it disturbs the cash flow of the company. There is no need to invest just to shore-up your revenue. However, having said that, the guidance for the full year has been maintained. And we expect as I just mentioned in my earlier answer also that the revenue guidance is 18% to 20% on the base of INR1,791 crores for the next financial year and also subsequently 18% to 20% on the base of FY22. So FY25, the company will grow at 18% to 20% of the revenue of FY24.

Faisal Hawa: And sir, where do you stand on three financial parameters. One is that, how much has our asset turn improved, that's one. Second is, what is really stopping us from getting into these metro contracts or as you did say that we are looking at some traction and is it because they are very good for us. And thirdly sir, what is the kind of impediments that we're facing into getting these bank guarantees faster and how are we placed on improving our credit rating from these agencies.

Rohit Katyal: So, if I break-down your question, you spoke about asset term, you spoke about metro worth, you spoke about bank guarantee and you spoke about credit rating. Am I right?

Faisal Hawa: Yes.

Rohit Katyal: So, if you see that our asset turn last year was 3.06 times. The asset turn has improved to 4.23 on FY23 and we expect that to improve to 4.75 or thereabouts during FY24. Number two, we are already doing railway stations and we have completed successfully railway stations for MMRDA; however, we do not do core infra for metro works and that is our business profile. The company is a building construction company and specializes in construction of super-high rises.

Obviously, the margins, you compare our peers with those of surface transport, you will find the margins at an industry level much better. And if you compare at EBIT level also, it would be much better than surface transport companies. Maybe one or two can be an exception. And therefore, we would like to continue our focus on our existing business, especially when the order book is close to 10.

Third, the bank guarantee as we had earlier also informed during quarter three, during quarter four, we have tied-up INR150 crores of bank guarantees from our existing consortium leader, State Bank of India and we will be tying up another INR250 crores before September-end and that is the total requirement for the whole financial year. These bank guarantees have to be issued in tranches. Already we have utilized and issued bank guarantees worth INR50 crores in quarter four. And therefore, you have seen an uptick in the collection at INR441 crores during Q4 FY23.

Last point is on credit rating. This credit rating was downgraded on the basis that the financial tie-up was pending. Since the financial tie-up, which has been given by State Bank of India, which was already published on the stock exchanges, we are now approaching them along with our financials of FY23 and we are very hopeful that by Q2 current financial year, the company should be re-rated back to glory. Hopefully I have answered your questions.

Moderator: We have our next question from the line of Yash Dantewadia from Dante Equity Research.

Yash Dantewadia: I just wanted to understand the margin profile. So obviously you construct for government projects and private companies. So, can I understand what is the margin difference working for government projects and working for private player?

Rohit Katyal: So, Yash, the point is that company is specialized super-high-rise and high-rise construction company. Obviously, the EBITDA margins are always higher and super-high rise. A, given the execution expertise required and also to some extent the high capex required for construction of super-high rise. However, for construction of normal buildings like 20, 22 storey which are in shell and core, you will have EBITDAs of 11% to 12%, however, the company has not engaged in construction of such projects.

Coming to the government sector, the margins profile should be better. I had explained during my last conference call also, simply because they are all on EPC basis. EPC includes E word, which means engineering. Engineering is not done in the private sector. Engineering is done by the client. In government projects, the engineering is done by the construction company and therefore, the company has an opportunity to improve upon the engineering and therefore, save costs.

Saving of cost means improved parameters on profitability whether PAT, PBT or EBITDA. So, summing up the question, the margin profile in private sector is about 200 basis points lower than the government sector and that is attributable to the engineering part which bigger construction companies are now engaged in.

Yash Dantewadia: And could you give me an idea of the working capital days difference in the private and the government sector, is that a very large difference?

Rohit Katyal: There is no difference. The net working capital has been higher. There has been some reduction due to recovery of slow debtor collections. This slow debtor collections we expect to continue in the current financial year and therefore I have given a guidance of close to 85 days as net working capital, excluding retention by the end of FY24.

Yash Dantewadia: Also, sir, one more question I had was regarding your OPMs, this year approximately 20%. It is basically a historical high for your company, right. I think your last high was 18% in 2017. So, what I want to really understand is, is this sustainable. I mean, you've already answered that and you gave guidance of 18% to 20% going ahead. But I just wanted to understand how sustainable is this if we think about this company from a five-year profile.

Rohit Katyal: To be a sustainable bidder over the next foreseeable future, three to four years. Now the EBITDA is not comparable to others in industry because of our high depreciation cost. And having moved from output method to input method, the site establishment and temporary structures which were being carried in the balance sheet at INR227 crores as on March 31, 2022, have significantly fallen to INR150 crores in the current financial, sorry, as on March 31, 2023.

This reduction as earlier guided over the next six to eight quarters will be totally written-off. At the end, though there will be no impact on the cash flow of the company, because these expenses have already been carried out in the past. So going forward, I would suggest that investors keep an eye on EBIT, EBITDA guidance is on the basis -- the EBIT and EBITDA guidance is on the basis of the existing order book, profitability of which is already determined.

Secondly, we have a pass-through mechanism for all the ongoing projects and therefore it is non-speculative in nature. Therefore, the posted consumption pattern has been very, very similar to see over the last four, five years. The reduction in percentages, because of the improvement in profitability due to the engineering side of the business.

Yash Dantewadia: Sir, also this year, what was the total order win and significantly the mix of public and private order win.

Rohit Katyal: Total order inflow, excluding GST stood at INR3,462 crores in FY23. In this INR3,562 crores, it was 50% in private and 50% in public. However, on the overall order backlog of INR9,500 crores, 70% public sector and 30% private sector.

Moderator: We have our next question from the line of Khushbu Gandhi from Yes Securities.

Khushbu Gandhi: Few questions from my side. Firstly, for FY24 revenue guidance which you have given as a good growth guidance of 18% to 20%. Can you just highlight which all projects would be majorly contributing to it?

Rohit Katyal: Madam, all the 14, 15 top projects would be contributing nearly 92% to the topline. However, it will take a lot of time going through each project. You may kindly send a mail and our IR department will immediately respond to it.

Khushbu Gandhi: Okay sir. Secondly, on the order bid pipeline, if you can give us an idea of what is the current orders which are delayed and yet the results are yet to be out and what would be our bid pipeline going forward for FY24?

Rohit Katyal: Ma'am, I have already mentioned, the company will take order inflow in-line with the revenue for the current financial year. So, the company's target is about INR2,200 crores or thereabouts for order inflow intake. Now having said that, last year, our guidance was INR2,000 crores, but we did INR3,400, crores. That was specifically because we were awarded a repeat order from Raymonds, from Godrej and alike. So, we expect that momentum to continue in the current financial year. So, there should not be any surprises on the positive side. As our internal target to be informed to you, we should be at INR2,200 crores that would again translate into about 4 times our FY25 turnover target.

Khushbu Gandhi: Okay sir. And sir, one more question. In the current quarter, the tax rate was quite higher. Any reason why the tax rate was higher?

Rohit Katyal: Madam, we have taken a one-time impact of site establishment, which was written-off and there is no tax benefit on loss on sale of site establishment. Therefore, this one-time impact of INR6.64 crores didn't take the profitably to the right amount of INR6.64 crores, that's one-time, it will not be happening from future quarters. This is a permanent difference and the tax -- then it becomes permanent difference is not available.

Moderator: We have our next question from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Yes. So, sir, I just -- sir, you've been very clear about our revenue guidance. So, I just wanted to know EBIT we have done 12.5% this year also. So, this growth in revenue, can we see some operating leverages and with reduction in some costs or something, could we see better margins or how would that work is the only question I will have.

Rohit Katyal: You see that all the project sites are totally manned, there may be some increase in salary costs due to increments and manning of the seventh location of CIDCO. Having said so, the percentage to the topline in the expenses that is fixed cost is expected to come down. Now, reduction in that will improve the operating margins. And therefore, definitely there is an opportunity to improve upon the operating margins and that is directly proportional to the topline, because fixed cost as a percentage will fall. On absolute levels, they may be the same or increase slightly. However, as a percentage of topline, they may fall, which will see better operating margins. That is what my take is. However, it will pan-out from quarter two of the current financial year.

Darshil Jhaveri: So just to summarize, our overall business might see a bit better margin, maybe by around 1% plus because of our growth. So that would help us get better margins because of the leverage.

Rohit Katyal: Absolutely, Mr. Jhaveri. Dil Maange More. But the point is that we have to be out times up. All right. The company has surpassed its pre-COVID levels. We are focused on our operations, we are focused on reducing the old and slow-moving debtors since courts are moving very fast now, they were very slow over the last 2.5 years. So, there is some exciting times at this moment. As I speak to you, we see completion of two-three projects over the next two quarters, which will give us an opportunity to shift our resources to newer projects, which we back over the next two quarters or so. So yes, it is an opportunity to improve upon the parameters of margins as I say in percentage basis. But I think the company's current levels are also very desirable.

Darshil Jhaveri: That definitely is the answer. Sir, if I may, one more question. Sir, any kind of hindrance or speed bump that you might foresee right now or everything right now is breaking in our favour. Any headwinds that might just impact or anything that you could see from a risk perspective.

Rohit Katyal: So, if you see, the companies has followed a very aggressive ECL policy over the last three years. The company has made provisions on a gross level over the last few years of about

INR145 crores or so. Now, given the size of our company and the post IL&FS issues which the whole industry saw, it is only prudent for the company to provide such big amounts. All right.

And therefore, the slow-moving debtor level in the balance sheet has dropped drastically. So, from that perspective, investors may relax. The company will recover its money, you will see some sort of reversals happening in the whole current financial year. Please do not ask me on quarterly basis or for the full financial year and therefore I don't see any headwinds.

Now if there is something which I cannot foresee today, I cannot comment on that, however I don't see any headwind as far as other operations or for that matter, scaling up is concerned. The company has to do what it knows the best, keep executing the projects at the pace it require us.

Moderator: We have our next question from the line of Sandeep Dixit from Arjav Partners.

Sandeep Dixit: Yes. Can I ask you to repeat this, but total clarification, you have mentioned working capital days. Did you say that your target was around 80 days, ex-retention money?

Rohit Katyal: 85.

Sandeep Dixit: 85?

Rohit Katyal: So, reduction of 20 days, we will try to do better, but the guidance we've given at 85 days.

Sandeep Dixit: And the second thing you said that we should be looking at EBIT margins…

Moderator: Your voice is sounding muffled.

Rohit Katyal: Okay. What I mentioned that the investors because every company has a separate depreciation policy and write-off of temporary structures, and therefore our -- though the fact, profit does not change, but the depreciation is substantially higher compared to peers, peers of our size, please.

And therefore, we are suggesting that you all monitor the EBIT level, which has shown healthy growth over the last two, three years. And there was another question earlier, whether that is slated to improve or not. On slide 22, the EBIT level was 9.91%. On the whole year, the company has done EBIT level of 12.53%. I do believe that it is a sustainable level of EBIT for the organization. Can there be an improvement? There are opportunities and we are working towards it. So, this is what I was mentioning. I hope you have heard me loud and clear.

Moderator: We have our next question from the line of Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda: Sir, what is the total non-fund-based limit that we have now and what is the utilization?

Rohit Katyal: I have to check-out the papers, please give me half minutes.

Pritesh Chheda: Along with that the last rating, which was done by India Ratings, which highlighted little bit of liquidity issue for us. So, what is the gap between their interpretation, and our presentation.

Rohit Katyal: Yes, so two questions. The total fund-based and non-fund-based limits. At the moment, which the company is enjoying is INR1,323 crores plus INR150 crores, so close to INR1,500 crores, right. Out of that about INR170 crores is unutilized. Now within this overall limit, the total term loans are INR160 crores. The emergency line-of-credit which was even during the COVID period the residual value is INR29 crores and the cash credit utilization is INR159 crores. Total non-fund-based limit utilization is INR973 crores as on March 31.

Pritesh Chheda: So, which means it is 70% utilization. So non-funded INR1,500 crores, in which if you are using INR1,000 crores, so it's about two-third utilization.

Rohit Katyal: Please take it again. If you remove the term-loan from that INR1,500 crores, then you have INR1,340 crores working capital including project-specific working capital. In this the CC limit, please remove INR165 crores. The total non-fund-based limits of bank guarantee and LC presents at INR1,175 crores.

Pritesh Chheda: In which you are utilizing INR970 crores.

Rohit Katyal: Okay. In which, we are utilizing at the moment INR972 crores, you're right. And that gives us a gap of INR203 crores, but that is not particular date of March 31, maybe some help we would have been issued over the last two months, some bank guarantees would have come back, new bank guarantees would have issued. So therefore, I mentioned in the earlier question also, the company will be tying up further guarantee limits of INR250 crores. To cover the whole assessment for the current financial year 2023-2024 as done by State Bank of India, lead bank of the company. All right. That's part number-one.

Part number two was that India Ratings has mentioned, on 27 February or thereabouts, that the company has not been able to tie-up the non-fund-based limits, resultant of which there will be cash-flow issues. Five years after that, we are given an explanation that the Company has already tied-up INR150 crores from State Bank of India. Now since yearly results have been adopted, we have already started the process of submitting all the documents to them and therefore we are confident that by quarter two on the current financial year, we should have the earlier ratings available with the company.

Pritesh Chheda: But sir, when you will grow next year, again, there will be a need. So again, will they come back, saying the same?

Rohit Katyal: No. Please try to understand that the tie-up, which happened in February should have happened in September last year. All right. So, the delay resulted in an action. However, the tie-up has already happened at this time it to you. And secondly the tie-ups are on the basis of the excess limits. It is not for the last year requirement; it was the current year plus few one of the next financial year. It is on basis of that requirement. As bank guarantees keep coming back and fresh bank guarantee were issued and therefore, I do not see a situation like February arising again.

Pritesh Chheda: And for getting the non-fund-based limit, you would have to give FDs or some portion of your cash flow. So, this bank guarantee on non-fund limit increase, which you bring in will -- is it for FY24 and one quarter of FY25.

Rohit Katyal: Absolutely. So, the bank guarantees are accessed by the lead bank on the basis of the existing limits and the requirement on the basis of further order wins, return on advanced deducted guarantees, return of whole performance guarantees and issuance of new performance guarantees and retentions. So that is how the overall assessment has been done by the lead bank. Your point is right.

Pritesh Chheda: So, which means that if you do not want to be in such a situation, either there has to be surplus liquidity on your balance sheet, which is a function of a better cash flow, either via working capital release or by doing lower business, whichever way so that you don't get into this ratings issue every now and then every six months. Is that the way that I have to look at it?

Rohit Katyal: See, the point is, the company has been doing turnover in guidance with the cash inflows. We have improved our inflow during the Q4 to INR440 crores. All right. So, the collection levels have gone up by nearly INR50 crores from Q3 of last fiscal -- in Q4 of last fiscal, we expect that momentum to continue, number one. Number two, INR150 crores of limits have been tied-up thereafter and therefore, the cash flow will improve to that much level over the next two quarters.

Next two quarters means something in the current quarter, balance in the next quarter, because these guarantee will be used partially for performance. We did not get the cash flow, but majorly for advances and retention, which directly give the cash flow to the company. Yes, it has to be interpreted in that manner only. However, all companies will absolutely grow on the basis of the cash inflow over a period of time.

Pritesh Chheda: So are we working towards more fund release or cash flow release from our balance sheet and what are we doing on that, because this year you grew 20%, next year you will grow 20%. This year you've managed it, let's say, but there has to be a proper effort towards reducing the working capital, which as a surplus for you so that you don't get into this upgrade and downgrade issues every now and then.

Rohit Katyal: Yes, absolutely. Your point is well taken. And therefore, I just mentioned that the cash flow improvement is the only reason why you could reach growth of 20%, 25% or 35% year-on year. If you see last year, we did INR1,340 crores. This year we are close to INR1,800 crores. And if we have to grow at 18%, 19%, it is not only effect of how much guarantees we are going to get, it is also a result of how much cash flow from advances and retention that is going to come into the company.

So yes, it has bought guarantees which partially are available now and fully should be available by September-end for the full financial year and the quarter one next year and secondly, improve cash flow and release of, a, retention, b, improvement in debtor cycle that is release of hold. I just mentioned in my opening statements, that company has collected slow-moving debtors of INR28 crores in cash in the quarter four of the last fiscal. Now these releases directly add to the working capital of the company and therefore our census then says that over the full FY24, the company will be in a better position to collect such money because of primarily two reasons.

A, the developers do not want their properties to go away in NCLT, and therefore, the people who are moving very slow earlier now are coming for settlements and upfront payments. All right. That is point number one. Point number two, we do not have -- we have not added any slow-moving debtors apart from what was there 2.5 years back over the last two years. So, these two parameters will help the company to substantially improve the cash flow over the current year and the next financial year.

Pritesh Chheda: And my last question is on depreciation. You mentioned there were temporary structures, which you are writing down and there is some INR140 crores, INR150 crores worth which you will write-down further. So, this depreciation number, which was taken-up this year to about INR140 crores, will be what number next year. Will it be same INR140 crores that you will have depreciation and then it will come down?

Rohit Katyal: Absolutely.

Pritesh Chheda: Right. That's how I should interpret your comments.

Rohit Katyal: That's how you should take it only, because the point is that there is nothing being added to the site establishment. The figure which was INR227 crores on a order book or in excess of INR10,000 crores has come down to INR150 crores as on March 31, 2023 and the average write-off is close to INR50 crores on that account on a yearly basis, INR70 crores on an average. So, over the next six to eight quarters, you can take safer period of eight quarters, the entire site establishment will taper-off and become zero and therefore the depreciation then will be comparable to the peers, which would be close to INR45 crores, INR50 crores.

Pritesh Chheda: So, this is INR140 crores for next two years will then come down to INR60 crores, INR70 crores.

Rohit Katyal: Little bit lower than that because of equipment additions will be lower and the depreciation will continue at the current level.

Pritesh Chheda: But sir, then we do have temporary structure case in some other projects, at a future date or in some specific projects that you have.

Rohit Katyal: What is temporary is actually nothing, it is site establishment. Companies following input method they take it as a cost and it comes into WIP and written-off over the project cycle. We were earlier following the output method and we have migrated into the input method. So, since we have migrated into input method, this temporary structure which was falling in our balance sheet earlier now no longer is required to be increased. Everything hits the P&L account directly.

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

Jiten Rushi: Most of the questions have been answered, but sir one question I would like to ask, in the last quarter we had discussed about the settlements, which you are expecting some cash flow from the same. So, are you pursuing aggressive user? So, any positive on this window settlements.

Rohit Katyal: So, let me just break this important question. So, we have to explain in detail. I am thankful that you have taken-up this point. So, among the biggest slow-moving debtor was Radius Group, which included Radius Deserve which included Radius DB Reality, which included Radius Sumer and so on. And including the site establishment retentions and WIP and certified debtors, the amount was close to INR130 crores, total exposure.

INR44 crores was written-off as ECL. We have received INR15 crores from Godrej against the takeover of project from Radius. Similar is Nilkamal, which is at Mahalakshmi. So, we have realized that. Apart from that, we have also realized INR116 crores. And for the entire remainder of the exposure of Radius Group, we have got properties allotted. So, we are no longer operational creditors, we are financial creditors.

So commercially the entire risk of the company has been covered. And in one of the cases in Radius Deserve LLP, the court verdict has come, declaring Capacit'e Infra as the homebuyer and therefore whoever takes over the project will have to treat us as homebuyers. So, these are the resultant of the two years of severe hard work that the company has put and you will see first settlements adding to the company's either cash flow or either reversal in the quarters to come.

Jiten Rushi: So, what I understand is INR16 crores plus INR16 crores, INR32 crores has been realized, INR44 would have been written-off while for the balance, there is some inventory which you have right over it and when these people sell the building, you will have that -- you can then collect your cash.

Rohit Katyal: Some projects have already been sold; some are in NCLT. The idea of the company is to first secure itself commercially, because the company has been doing projects in Mumbai where the property prices are very, very high. I'm sure no developer would like to send his company to NCLT for INR12 crores, INR15 crores exposure to Capacit'e Infra. However, we wouldn't like to take any risk on the commercial sensibility and therefore we have obtained over a period of two years either agreement to sale or allotment letters are backed-up by stamped Memorandum of Understandings, apartments of INR58 crores, residential premises of INR68 crores, which will going forward have to be cash flow, however it will totally secure the company as far as its commercial outstanding is concerned. And that is what I'm trying to tell you.

Jiten Rushi: So broadly this would cover interest or it will just what the commercially interest are we going to cover or it's cash flow, which we have to cover as receivables from the developer.

Rohit Katyal: We have written-off at the gross level INR130 crores over the last 3.5 years. So, if you can reverse even INR60 crores, INR70 crores over the next seven or eight quarters, the company will add that to the bottom-line directly. So, I wouldn't like to comment on the interest component, because the cases filed against those particular clients, the amount receivable claimed is higher than the book liability. It would be not be appropriate for me to disclose that. However, I can only say that commercially, we are in short to protect the company's commercial interest against all its outstanding.

Jiten Rushi: Sir, one last question from my side is, on the MHADA project, have you given any revenue guidance in totality and probably your share of 55% for next couple of years.

Rohit Katyal: I have missed your point. MHADA revenue was -- you want the guidance or what we were last year.

Jiten Rushi: Sir, last year plus going forward, I see the site has been moving very fast now. So, what have you booked in FY23 in totality and what is your share in the standalone and probably what could be the booking in totality and what will be your share, obviously your share will be 35%, so.

Rohit Katyal: We have certain additional scope of work also. Including the scope of works, apart from the INR1,200 crores of building portion, we have certain other scope of works. Total building is close to INR90 crores in the last financial year and we do expect to INR175 crores, that was the guidance -- sorry, INR200 crores in the current financial year. Hopefully, we can improve upon that, but INR200 crores is given. Our share our standalone basis as a subcontractor to Tata Projects and Capacit'e JV.

Jiten Rushi: Sir, just what is that increase in scope -- what is the increase.

Rohit Katyal: Sorry sir.

Jiten Rushi: You said something on the increase in scope for this project, so what is the increase in terms of value and what type of work have you done.

Rohit Katyal: So, there will be another INR200 crores building apart from the normal INR1,200 crores, INR1,300 crores of buildings to be constructed. This will be attributable to certain parts of engineering, certain site lightening, permissions approvals and so on and so forth. We will separately elaborate PMC requirements. So that will be taken on and carried out by Capacit'e Infra as per the order received from the JV.

Moderator: We have our next question from the line of Anand Shah from ISKCON.

Anand Shah: I have two questions. One of them partly answered by you which was regarding the higher tax expense this quarter. In case you can throw any further light going forward on how you see that normalizing that would be good. And secondly, on PAT margin side. So historically, we've seen that to be around 6% range. Do you see that being maintained going-forward and any reason to believe that can see a higher tick in upcoming quarters.

Rohit Katyal: On the tax point, I already have clarified that it is a one-time basically loss of sale of site establishment and other provisions where the tax benefit is not available. So that amount of INR664 lakhs is one-time, it will not be recurring in the future quarters, including quarter one on the current financial year. That's point number one. The point number two, as you said, on the margins, I would like you to monitor the EBIT margins, because PAT margins will vary on the depreciation came by the company quarter-on-quarter.

The PAT margin will also get to one-time impacted where engineering and design builds our book, the margins will also get impacted on a positive note whereas and when the reversals start happening. So, on the EBIT side, apart from this gains which will come from this, old provisions, old write-offs, you should expect the current profitability to be sustainable. However, guiding you on the EBIT level will be more appropriate and the company is expected to maintain that and maybe improve, I repeat maybe improve over the next two, three years, as we move forward.

Moderator: We'll take our last question from the line of Yash Dantewadia from Dante Equity Research.

Yash Dantewadia: Yes. My last question is regarding the QIB. Could you throw some light into it because what kind of interest are you seeing from qualified institutional investors and again will it happen, is there any probability of that happening below the book-value.

Rohit Katyal: It's too early. We have just taken an enabling resolution at the moment in time. The company always has to have plan B. And we do not want anything coming in the way of company's growth plan in the midterm. So therefore, an enabling resolution has been taken and will be sounded out to keep you appraised as and when the developments happen, but we have just got an approval, we will go for approval of the shareholders through appropriate route as per company and SEBI guidelines and once that is done, I'm sure you must be knowing, Amit, who is heading our IR. You can get in touch with him for any detailed answers or queries concerning QIB.

Yash Dantewadia: So just to conclude, you said QIB is your second option, not your first option, right.

Rohit Katyal: See, again, we have taken an enabling resolution for QIB and other mechanisms, which have the same guidelines of QIB, because there are separate resolutions for QIB and separate for preferential. So, at the moment, the enabling resolution is for qualified institutions only and once we have the approvals, the Board approval subsequently, we will get back to you and keep you updated all time.

Yash Dantewadia: No. Actually, my doubt was you are obviously, you already have a bunch of secured line of from SEBI. From what I heard before is, we require INR50 crores more to reach this year's revenue guidance target, right?

Rohit Katyal: It is six years since our IPO. So basically, every second year we've taken enabling resolution. There has to be a Plan B in-place in case of any delay. The growth of the company cannot be compromised on and therefore the resolution is up to INR200 crores on whether you raise INR150 crores, INR175 crores, INR150 crores, that's anyone's guess. Whatever and whether we raise it all or not, all we raise is entire INR200 crores, that is a question which cannot be answered today.

We will keep you updated as I said and if the bank guarantees come on the dotted line, then the requirement of QIB will be lower and we have kept all options, as I said, option 1, option B, option 3, all available to the company to ensure there is no impediment in the growth of the organization.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Rohit Katyal for closing comments. Over to you, sir.

Rohit Katyal: I would like to thank you once again for joining us on this call today. We hope we have been able to answer to your queries. Please feel free to reach-out to IR team for any clarifications or feedback. Thank you and have a nice day. Bye-bye.

Moderator: Thank you. On behalf of Capacit'e Infraprojects, that concludes this conference. Thank you for joining us and you may now disconnect your lines.