CAPACIT'E
INFRAPROJECTS LIMITED

Ref : CIL/STEX30/Q3FY23
Date: February 16, 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 February 14, 2023

We refer to our letter dated February 09, 2023 regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company during Q3 & 9M FY23 which was scheduled on Tuesday, February 14, 2023 at 10:30 a.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

Varsha Malkani
Digitally signed by Varsha Malkani
Date: 2023.02.16 16:56:54 +05'30'

Varsha Malkani
Company Secretary & Compliance Officer

CAPACIT'E INFRAPROJECTS LIMITED

Encl: a/a

“Capacit'e Infraprojects Limited

Q3 and 9M FY '23 Earnings Conference Call”

February 14, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th February 2023 will prevail

MANAGEMENT: **MR. ROHIT KATYAL – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – CAPACIT'E INFRAPROJECTS LIMITED**
MR. ALOK MEHROTRA – PRESIDENT-FINANCE – CAPACIT'E INFRAPROJECTS LIMITED
MR. NISHITH PUJARY – CHIEF ACCOUNTS OFFICER – CAPACIT'E INFRAPROJECTS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Capacit'e Infraprojects Q3 and 9 Months FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

Before we begin, a brief disclaimer. The presentation which Capacit'e Infraprojects has uploaded on the stock exchange and their 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.

Rohit Katyal: Good morning, everyone. On behalf of the company, I welcome you all to the Q3 and 9-month FY '23 earnings conference call of the 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 exchange's and our company's website.

Our progress in the quarter and 9 months of this current financial year and the review reflects our resilience, amid a challenging macroeconomic environment, coupled with excellent teamwork of our colleagues. With a healthy order book, 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 pool and unlock efficiencies to deliver a robust performance year-after-year.

The strong impetus from the government for housing sector in the recent budget announcements and favourable policies all are very positive for the sector and overall economy. The project awarding has seen an uptick and likely to be in further momentum in the coming quarters. We are confident of achieving our guided order book for the current financial year. Our robust execution capabilities, coupled with strong repository of asset base, enabling efficient execution reflected in the strong revenue growth.

Let me appraise you with the key updates. The company has been awarded projects worth INR 3,313 crores, including GST for the 9 months ending FY '23. Appeals against the income tax block assessment orders have been completed for the period up to March 2020. All the disallowances made by the department have been decided in favour of the company. As a result, the contingent liability relating to income tax demand amounting to INR 31.15 crores, as disclosed in the annual report of 2022, will no longer be required.

Godrej Realty has come in as a developer, along with DB Realty for One Mahalaxmi project, earlier known as Radius, DB Realty project. The company has entered into a settlement agreement for INR 11.3 crores. Accordingly, the client has released the first tranche of INR 6 crores in the month of January '23 and will be releasing the balance amount before the end of the current financial year. The company is expecting recoveries from other slow-moving debtors as well.

Now let me come to the performance highlights for quarter 3 FY '23. Revenue for the operations Q3 FY '23 grew by 21% to INR 443 crores as compared to INR 367 crores in Q3, FY '22. EBITDA for Q3, FY '23 grew by 40% to INR 90 crores, as compared to INR 64 crores in Q3 FY '22. EBITDA margins for Q3 FY '23 stood at 20.1% as compared to 17.2% in Q3 FY '22. EBIT for Q3, FY '23 grew by 5.1% to INR 56 crores as against INR 37 crores in Q3 FY '22. EBIT margin for Q3, FY '23 stood at 12.4% as compared to 9.9% Q3 FY '22.

PBT for the current quarter ending Q3, FY '23 grew by 62% to INR 31 crores as compared to INR 19 crores in Q3 FY '22. PBT margin for the quarter FY '23 stood at 6.9% as compared to 5.1% in Q3 FY '22. PAT for Q3 FY '23 grew by 15% to INR 23 crores as compared to INR 14 crores in Q3 FY '22. PAT margin for the quarter ending Q3 FY '23 stood at 5.1% as compared to 3.7% in Q3 FY '22.

Now turning to the performance highlights for the 9 months ending December '23 -- '22. Revenue from operations for 9 months FY '23 grew by 36% to INR 1,352 crores as compared to INR 993 crores in 9 months FY '22. EBITDA for 9 months FY '23 grew by 59% to INR 275 crores as compared to INR 173 crores in 9 months FY '22. EBITDA margin for 9 months FY '23 stood at 20.2% as compared to 17.3% in 9 months FY '22. EBIT for 9 months FY '23 grew by 66% to INR 166 crores as compared to INR 100 crores in 9 months FY '22. EBIT margins for 9 months FY '23 stood at 12% as compared to 10% in 9 months FY '22.

PBT for 9 months FY '23 grew by 97% to INR 99 crores as compared to INR 50 crores in 9 months FY '22. PBT margin for 9 months FY '23 stood at 7.3% as compared to 5% in 9 months FY '22. PAT for 9 months FY '23 grew by 98% to INR 73 crores as compared to INR 37 crores in 9 months FY '22. PAT margins for 9 months FY '23 stood at 5.4% vis a vis 3.7% in 9 months FY '22. Gross debt stood at INR 353 crores, excluding promoter debt with gross debt-to-equity ratio at 0.3x. Net debt stood at INR 214 crores with net debt to equity at 0.2x.

The company continues to focus on increased execution across projects. Order book on stand-alone basis stood at INR 9,764 crores as on December 31, 2022. Public sector accounts for 67%, while private sector accounts for 33% of the total order book. The floor is now open for questions.

Moderator: We have our first question from the line of Mohit Kumar from DAM Capital.

Mohit Kumar: Good to see soft liabilities getting off the books. My first question is, are you still expecting flat revenues for Q4 given that our guidance was INR 1,800 crores? Do you revise our guidance for Q4?

Rohit Katyal: Our target continues to remain unchanged at INR 1,800 crores. And with the performance of 9 months, which has just been elaborated, we are confident of achieving that figure for the current financial year.

Mohit Kumar: Secondly, sir, the order inflow. I think we have surpassed our guidance of INR 22 billion. We already had INR 33 billion, if I'm not wrong. So what is the pipeline? So do we have the appetite -- more appetite to take the orders for the next couple of quarters? And how is the pipeline looking at this point of time, especially MMR?

Rohit Katyal: The pipeline is extremely strong across sectors, including residential, commercial, health care and institutional. But on the private sector side, there are various launches planned. And therefore, we do expect certain repeat orders from existing clients within the same location, which obviously should not and cannot be awarded. So from a guidance perspective, as we stand today, we are in L1 in our INR 800 crores worth of projects in the public sector, which would get translated during this quarter or early next quarter. Apart from that, we are expecting a couple of repeat orders totalling to about INR 500 crores in this quarter.

As rightly said, we have surpassed our target for the whole financial year but repeat order as such that the client who has been there during thick and thin with the company over the last 5 years, 6 years and more cannot and should not be refused to. For the next financial year, while the guidance will be given during the next earnings conference call, we are very confident that the momentum will continue. And we should continue to maintain the 3.5x to 4x order book of our next financial year's projected revenue.

Mohit Kumar: Are there some large tenders in pipeline where we're bidding for?

Rohit Katyal: Now the definition of large, if you can elaborate?

Mohit Kumar: Anything around more than INR 1,000 crores, sir?

Rohit Katyal: Number of projects, you have data centres, which we are actively looking at. You have residential buildings, which now is, as you are aware, government also is constructing buildings, which are in excess of 45 to 50 storeys. And when they are in lock and key state, the value obviously doubles from or maybe it is 2.5x as in compared to shell and core.

So there are various projects across RLDA. The Rail Land Development Authority, who is entrusted with upgradation and construction of 170 railway stations. Most of the tenders are upward of INR 600 crores, INR 700 crores. So there are substantial stations valuing in excess of INR 1,000 crores going all the way up to INR 5,000 crores.

Moderator: We have our next question from the line of Dhananjay Kumar Mishra from Sunidhi Securities.

Dhananjay Mishra: Congrats on decent sets of numbers. Am I loud and clear? So just wanted to check where we are in terms of our bank guarantee limit and tender and release of retention money, which were expecting very soon. So where we are on that front?

Rohit Katyal: So the proposal is in the final stages with State Bank of India. The lead bank has already circulated its final assessment note and we expect that in the current financial year, the tie-up should be complete. So accordingly, the retention release will be planned on the release of the bank guarantee. The cash flow collection is about 77% of our topline and with the release of bank guarantees for retention, you should see an uptick close to 90% of the cash profit – of the revenue at such...

Dhananjay Mishra: So why is this delay happening because I mean you already have applied for this bank guarantee? Any specific reason why banks are not taking decision on that?

Rohit Katyal: I have not understood. Pledge is not for the consortium limit. If you're asking that, can you please repeat the question?

Dhananjay Mishra: BG limit, bank guarantee limit?

Rohit Katyal: The delay is basically because it's a consortium banking arrangement. And only after the lead bank circulates the assessment note, do the other banks take it up. So we have seen the delay, and we have called for the bankers to meet and the banks that -- then the lead bank, State Bank of India has taken up the matter with the other banks very aggressively. And we hope that the resolution should happen very, very quickly.

Dhananjay Mishra: And on CIDCO project, what was the contribution in this quarter? And what will be the contribution next quarter we are expecting?

Rohit Katyal: The contribution in the last quarter was close to INR 70 crores from CIDCO project, and we continue -- we hope and we believe that the momentum will continue. The seventh location has been formally handed over to the company of CIDCO. And the environmental clearances from the client are expected in the next week. So we do believe that the preparatory work will start at the seventh location from March onwards now since the location has been handed over. And it will start translating into revenues from the quarter 1 of next financial year. So we do see extremely robust revenues from CIDCO as you saw in the last quarter, getting into the current quarter and the whole of the next financial year.

Dhananjay Mishra: So it has come down from INR 85 crores in Q2 to about INR 70 crores this quarter, right?

Rohit Katyal: From INR 80 crores to INR 75 crores because certain variation bills will be billed in the current quarter.

Dhananjay Mishra: So in last quarter, you indicated that Q4 will be about INR 150 crores. So we are there at INR 150 crores for this quarter and if you see the monthly run rate of Jan?

Rohit Katyal: Sir, I do not believe that we'll be at INR 150 crores because MHADA project has also started, which has contributed close to INR 30 crores in the last quarter. And we believe that it will also contribute close to INR 35 crores in the current quarter. And CIDCO, we believe that once our variation bills get billed, we should be close to about INR 90 crores to INR 100 crores in the current quarter because seventh location bills start from the next quarter only, and that is when you will start peaking that INR 60 crores per month.

Dhananjay Mishra: From the Q1 FY '24?

Rohit Katyal: Absolutely.

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

Faisal Hawa: Sir, our asset turn ratio has been pretty poor over the last so many years as compared to say Ahluwalia Construction. So will this latest rise in sales and overall execution getting better raise the asset turn, and what is the asset turn we are now targeting for the next financial year?

Rohit Katyal: Mr Hawa right? You see that a 35-year-old company cannot be compared to a 9-year-old company, who has created a gross block of INR 650 crores. The net block is at about INR 440 crores of the core assets. In the current financial year, we should be at about 4.5x asset turn and we should increase that to 5.5x as explained in the last call. I believe that 5.5x, with an average asset life of 6 years or lower is a very strong asset turn to have.

Faisal Hawa: But then why are we not -- because this is depressing our ROC, ROE, and it's like a constant thing with our company. And that's why the valuations also tend to get depressed. So is there -- I mean while you are saying about a young company there, but is there no other steps that we can take to mitigate this?

Rohit Katyal: Yes, those have already been taken. We have refrained from taking any projects, which are high on capex. And therefore, the capex will be substantially lower than the next financial year or the prior years. The capex plan for the next financial year also is about INR 45 crores. And therefore, we do believe that the net value of the core assets, taking INR 50 crores of depreciation of the core assets, will fall in the next financial year as in the current financial year. And with the addition of only INR 45 crores, you should see a net asset value of close to INR 390 crores.

And with the revenue slated to go up by approximately 25%, your asset turn will increase substantially close to 6. So 6 will be the highest asset turn of the company in its short history. And as this asset turn goes up and the value of the net block comes down of the core assets, yes, your ROE, ROCE will see substantial improvement, however, on the other parameters, therefore, we have declared our EBIT in this quarter. And if you see, there has been substantial improvement on all those other parameters.

Faisal Hawa: And sir, where do we stand on orders from MHADA? Do you feel that it can be -- we can get further orders also in this Central Mumbai space? Because this project looks like it will be expanded. And how do you see the railways space panning out for us? Do you feel that we could get fairly substantial orders there also?

Rohit Katyal: So we are an end-to-end player in the construction space of our buildings, and we target quality clients across the spectrum. And therefore, we are bidding very cautiously, given our strong order book for projects, which are accredited to our bottom-line and add positively to the overall profitability of the company.

So therefore, it is difficult for me to say whether we are focusing on Central Mumbai or South or whether MMR. There is opportunity across the geography where we operate, including opportunity in Delhi-NCR, especially from government and autonomous bodies floated by the government. And the order book target, which has been surpassed by nearly 30%, 33% this current financial year, clearly shows the trend where the private sector continues to give repeat orders and government sector spending, which we just spoke about during my opening comments.

Faisal Hawa: And sir, there was a lot of service revenue that we are going to get to the MHADA contract. Has that also started coming in and is that playing also on increasing the EBITDA?

Rohit Katyal: Absolutely. Absolutely. So the design charges have started -- have kicked in MHADA project. The first tranche of INR 4,000 crores, which has been subcontracted at 35% to Capacit'e Infra and 65% of Tata Projects Limited is in full swing. And we do believe that the efficiencies of scale, as committed, will kick in, in the next financial year in MHADA itself.

Faisal Hawa: So at least 1.5% to 2% EBITDA increase would be due to the service revenues coming in?

Rohit Katyal: I wouldn't like to comment on that. It's quite early. Our guidance with the accounting mechanism, which we follow, is 18% to 18.5%. On the full year, I do expect that since 9 months have been completed, we should be doing a tad better than the estimate given of 18% to 18.5%. So currently, we are at 20%, so there has been an expansion of 1.5%. It would be nice to end the year on a similar note.

Moderator: We have our next question from the line of Mukul Verma from Varma Associates.

Mukul Verma: Congratulations on a good quarter. Question is that last quarter in the con call, you had mentioned that you signed some settlement agreements with your old projects with the Radius Group and High Court has sanctioned some favourable verdict in case of the IGIMS project. And you were expecting to receive INR 55 crores in coming 3 quarters. I just wanted to know how much have you received in the quarter gone by? And what is the received target for current quarter?

Rohit Katyal: So in totality, against the verdict received in IGIMS, our bills have been submitted and expected to be certified over the next 15 days. We have already received INR 3.55 crores against that project. Secondly, against the Radius Project, One Mahalaxmi, I just said in my opening comments that we have already received out of INR 11.33 crores an amount of INR 6 crores.

The remainder of INR 5.33 crores will come in this quarter along with some substantial money expected from IGIMS. There are other projects also where the settlement agreements are in final stage. However, I shall be better placed to comment on that by March mid or thereabouts.

Mukul Verma: And since we have won this income tax thing, is there any refund coming from them? Or it was just a liability which has been...

Rohit Katyal: INR 6.55 crores has been received. INR 12.28 crores has gone to the treasury and another refund order of INR 12.5 crores or thereabouts has been approved and is under processing. So the total cash inflow from income tax refunds expected by the end of the current financial year to the tune of INR 30 crores or thereabouts.

Mukul Verma: Okay. That's great. And if you can give any colour on the MHADA thing for the ensuing financial year? Like how much would approximately be contributing to the top line of the company?

Rohit Katyal: I believe that we should be close to INR 60 crores.

Mukul Verma: For the full year?

Rohit Katyal: No, the revenue is basically kicking in more so in quarter 3 and quarter 4. Quarter 2 was I think INR 10 crores.

Mukul Verma: No, no, I'm saying in FY '23, '24 for the full year, what would be...

Rohit Katya: For the full year, we are committed to do close to INR 250 crores to INR 300 crores at a Capacit'e Infra level as a subcontractor to the LLP. At the LLP level, obviously, the revenue will be much higher, but we cannot recognize that revenue. Obviously, the PAT at the LLP level will be recognized as profit from associates in our financials.

Moderator: We have our next question from the line of Shreyans Mehta from Equirus.

Shreyans Mehta: My first question is, sir, I just wanted to check how big is the data centre opportunity? And what is our scope of work in that?

Rohit Katyal: The data centres, which come in the private sector, have a bifurcation between the RCC that is shell and core and the electromechanical works. However, the data centres coming in government, we now see that it's a complete lump-sum turnkey project. So if the shell and core is let's say INR 350 crores to INR 400 crores, the electromechanical could be close to INR 1,200 crores. So data centres opportunity across India are both from the private sector, but players like Amazon, Google and alike is tremendous. Apart from that, there's a government push for data centres both at the state and central level.

We are currently constructing data centres for the Department of Telecommunications through BSNL, which is on the final verge of completion. We should be through that project over the next 6 months. So we do see the opportunity, a very big opportunity in this segment. However, I cannot pin down a specific number that it would contribute to our order book or the revenue for the next fiscal. The market for data centre has recently matured, if I may say, in India. And it definitely shall be one of our focus areas in the coming financial years starting from the next financial year.

Shreyans Mehta: Got it. Sure. Sir, some bookkeeping questions. Capex till 9 months, how much we have done and how much is pending? And secondly, on debt, where do you foresee by this year-end?

Rohit Katyal: The total capex, which has been done is INR 66.19 crores for the 9 months ending. I do not see much capex in the current financial year -- in the remainder of the next -- current financial year. The next financial year capex at the moment is currently estimated between INR 45 crores and INR 50 crores. However, we are trying to push whatever can be done in a private sector to the client's scope of work. That's one thing.

Shreyans Mehta: On the debt?

Rohit Katyal: On the debt side, we don't see any increase in the fund-based limit, though there is an INR 25 crores tie-up, which is pending. We are hopeful of getting our bank guarantees. Basically, the company has to collect close to INR 250 crores in advances and retentions against submission of proportionate bank guarantees. And if that's done, then, obviously, the company becomes net debt-free and further has INR 100 crores cash available for expanding operations.

Shreyans Mehta: Got it. Sure. And sir, lastly, in terms of our unbilled revenue, debtors retention and mobilization advance?

Rohit Katyal: Sir, this is a very long question. You may please send a mail to our IR team. They will respond immediately.

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

Parvez Qazi: Sir, my first question is on the competitive intensity in the industry. I mean, obviously, there are a lot of opportunities. So are we saying that we may be able to get, let's say, a premium pricing or margins which are maybe higher than what we have done historically while bidding for new projects?

Rohit Katyal: So the competitive intensity perspective building sector is one sector, where the organized players are 7 to 8 at best geographically speaking, except L&T and Shapoorji, who are pan-India players. You don't have any specific pan-India players, okay? Like us they maybe in 5 cities or 6 cities. Or you may call them 6 or 7 states, like Delhi-NCR is one state, one geography for us.

For some it may be mentioned as 3 states. So from that perspective, most players in -- organized players in the building, construction segment, which include ourselves, L&T, Shapoorji, GMC Building Division, NCC, Ahluwalia, PSP, B. L. Kashyap and maybe a couple of others are more focused, excluding L&T and Shapoorji on their geographies and where their supply chain management is strong.

So we will continue to focus on that. And therefore, with limited players being the competitive intensity in building construction for projects, which are upward of INR 350 crores, INR 400 crores in the public sector because private sector obviously is on invitation only and not open to anyone and everyone. So in public sector, the competitive intensity in projects above INR 400 crores is fairly low, which gives us a good opportunity and other players as well a good opportunity to bid and win projects at fair pricing. So that's one thing.

Number two, players who execute on lump-sum turnkey basis, including design build basis are even lesser. And therefore, when you see our order portfolio, nearly 60% of that comes from design build LSTK projects, where engineering efficiencies come into play, thereby giving us an opportunity to improve our margins, whether it may be an EBIT level, EBITDA level or PAT level.

Parvez Qazi: And in terms of MHADA project, what is the status in terms of how much work area have we got designed, etcetera? What has been completed? And how do we see the project shaping up in FY '23?

Rohit Katyal: So we have only started the works practically from last 7, 8 months. As on today, 8 buildings of 40 stories are under construction and in full swing. We expect total 18 buildings of the rehab of 40 stories to be made available as committed by the client by first quarter in a phase-wise manner. 18 buildings would mean approximately INR 3,500 crores of work front will open, Capacit'e' s share being 35% of that.

Moderator: We have our next question from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: First off, I just wanted to understand, you mentioned this year by FY '23, and we are looking to release some retention money. I think around INR 160 crores of retention money was locked in, right? So that entire amount we expect to get released by this March or so, some timeline on that?

Rohit Katyal: See, we are expecting our bank guarantee sanctions. And therefore, the quantum which would be released, there has been release of about INR 175 crores over the last 2 quarters, including the current quarter. However, the retention continues to be at about INR 169 crores because revenues also have gone up, and there is retention on the executed portion also. So when I said INR 250 crores, I include the advances of close to INR 90 crores in those collections and INR 169 crores of retention.

However, what will come through in March, it will depend on the bank guarantee release date and that we will be able to communicate to you only by this month end. However, we are very optimistic that over the next 2 quarters, this entire money should get released and into the system of the company, thereby making us net debt-free and adding substantial working capital, reducing our net working capital and fuelling the growth of the company to our projections.

Deepak Poddar: Okay. So effectively, these bank guarantees we are expecting in next 15 days. I mean...

Rohit Katyal: That is what our belief is. Of course, all the guarantees do not get released on one day. So it will start from bank-to-bank. So at the moment, we expect first release from the State Bank of India.

Deepak Poddar: Okay. And in 2 quarters, we are expecting this entire INR 170 crores retention money should get released and...

Rohit Katyal: Not entire INR 170 crores because maybe INR 20 crores, INR 25 crores would be payable after the DLP which is generally one year. However, having said that, I am combining the mobilization advances of the orders in hand, which have yet to be taken, plus a portion of the retention, which needs to come into the company, which are due and payable.

Deepak Poddar: Are we facing any time -- any kind of execution? I mean, generally, what we see third quarter is always better than the second quarter, right? But it's largely the same this time around. So is it because of the -- I mean the retention money or the lower bank guarantees that we are facing some hiccups in execution level? Would that be a fair understanding to have?

Rohit Katyal: Sir, we have crossed the FY '21 numbers. We were at INR 1,350 crores for the first 9 months, and we are slated to do close to something better than INR 1,800 crores for the full year FY '23, which is an increase of nearly 35%, 37% over the last financial year. So the operations at all projects are going on. When you see flat revenues that means we are working in optimum. However, the location number 7 of CIDCO has been just released. That will get translated into revenues from first quarter of the next financial year. So your entire order book as on today, which we just mentioned close to INR 9,800 crores, is operational, and therefore, should translate into the revenues, what we have just been discussing. And therefore, there is no doubt that money in-house is better than money with the client.

Deepak Poddar: Correct.

Rohit Katyal: And therefore, if INR 200 crores would have been there, you would have seen reduced finance charges, number one. You would have seen a much better working capital cycle. And number three, you would have seen cash and bank balance with the company, which -- towards which we are working for. So it has not impacted the operations, but it definitely has impacted the profitability as the finance costs would have been much substantially lower with this money with the company.

Deepak Poddar: Fair enough. I understood. And my final question is on your revenue. I mean, in the previous call, we have said that we are looking at, what, 22% to 25% revenue growth for the next few years, right? Now FY '23, we have already given a target of INR 1,800 crores plus. So from FY '24 onwards, is that the range we should be working on with?

Rohit Katyal: That's given because that is a commitment to the client. So as I told you, the orders, which currently are with the company, are all operational. And we have grown our plan for the next 24 months. We suggest that the growth has to be what you just mentioned of over 20%, 25%.

Deepak Poddar: Exactly, from FY '24. All the very best.

Moderator: We have our next question from the line of Vishal Srivastav from Svan Investments.

Vishal Srivastav: Most of the question has got answered, and congratulations for good set of numbers, sir. Sir, one bookkeeping question regarding the trajectory on depreciation, last 2 quarters, in fact, 3 quarters have been more or less in the range of INR 42 crores, INR 32 crores and INR 34 crores. During Q1, we have explained that this was due to the change of method from with material to without material for one big client, but it has not normalized. So we understand about the Q1, but Q2 and Q3 as well it remains elevated. So can you throw some light in this area, sir, please?

Rohit Katyal: The reduction and it has -- it will be at about INR 122 crores, INR 125 crores. You have to -- when you see the fine print or if you clarify with our IR team, they'll explain to you that the site establishment, which was INR 225 crores as on March 22, today stands at INR 167 crores or INR 162 crores, I'm sorry.

So there has been a reduction in the site establishment after the accounting change, which now is as a percentage to your sales -- to your expenses, percentage completion method. And therefore, the depreciation of INR 30 crores, INR 32 crores per quarter will continue until the time the site establishment becomes 0. And thereafter, the depreciation will be close to INR 15 crores per quarter for the core assets alone. I hope I answered your question.

Vishal Srivastav: So this will be, as you said, till the site has been completed. So...

Rohit Katyal: No. So I repeat, INR 165 crores is the site establishment unamortized, which is getting amortized at a rate of close to INR 20 crores per quarter, right? It could be higher in some quarters. It depends on the revenue. So if the revenue goes to INR 500 crores that much more amortizations will happen. Or if it goes to INR 600 crores, the amortization will increase further. So the site establishment is nothing but the initial expenses for the order book, which you carry, which currently is less than 2%.

And we believe that this amortization should happen in totality over the next 8 quarters or earlier. So once that amortization is complete, INR 162 crores I just mentioned, at INR 20 crores per quarter approximately or a little bit more than that. You will not have anything to depreciate any more. And therefore, the depreciation per quarter thereafter will fall to INR 12 crores to INR 13 crores for the core assets alone, gross block of -- net block of which is INR 440 crores, INR 450 crores.

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

Faisal Hawa: Sir, to me, this is now looking like we have like so many orders that we can actually now choose that...

Moderator: Hawa, sir, I'm sorry, you are sounding muffled.

Faisal Hawa: Yes. So to me, this is now -- we can actually choose our orders. Going forward, what is the kind of EBITDA margins you are targeting for new orders, so that our EBITDA can rise probably even further? And is it even a good option to raise the EBITDA and let some orders go?

Rohit Katyal: That's exactly what, Mr. Hawa, we have been doing. We have not been picking up any orders. There were many questions in the first 6 months why have not we booked orders. And suddenly, you see in that one quarter, 4 months, your order book has crossed the target. So the point is there is more pressure on the company to grow fresh orders at the cost of sacrificing the overall EBITDA guidelines internal to the company.

And more than EBITDA, we would like to focus on cash PAT and the free cash flows a particular project would generate for the company because whatever investments at a high level of more than INR 650 crores, INR 670 crores at gross block level were to be done, has been done by the company. It is high time that we start making cash margins from operations after adjustment of finances from next financial year onwards.

Moderator: We have our next question from the line of Mukul Varma from Varma Associates.

Mukul Varma: I assume this year you would be clocking the highest ever PAT in the history of the company now that you -- 3 quarters, you've already done 74. So would you be going back to the dividend policy from this financial year?

Rohit Katyal: Allow me to answer this question for something next time. So it will be dependent on the Board. I cannot take the decision. But yes, if your good wishes are there and we get our bank guarantees, you will see a good dividend pay-out. But dividend pay-out is not directly dependent on the net profit, but realization of the receivables, of which nearly INR 250 crores is held up with the clients at the moment in time. And we are actively engaging to get those released.

Mukul Varma: So these bank guarantees what have been stuck for quite some time, do they have anything to do with our ratings, which we are supposed to go back to A-, but -- rating BBB+ or it does not matter really?

Rohit Katyal: Sir, if you check up the companies who have been restructured three-three, four-four times, INR 400 crores, INR 500 crores more guarantee than me. So that is not the criteria. Us very well understand and the market, including you understand that no derating can go to BBB+ in 3 months. So we all know the facts, and we do not visit the domain again. But having said that, there are procedural delays. We follow the straight-line method in depreciation and also as far as our conducted consent. So there are procedural delays, let the guarantees come, and we will continue to try and get our monies, which are withheld with the client due and payable over the current and the next quarter.

Moderator: We have a question from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: I just wanted to have this follow-up. I mean in terms of depreciation, how we see the trajectory? I mean depreciation has been quite -- I mean, like it used to be in the range of INR 26 crores, INR 27 crores, then it went up to INR 40 crores. Now it's in the range of INR 32 crores, INR 34 crores. So how do we project that? I mean some understanding, if you can provide on that.

Rohit Katyal: I had explained in the quarter 1, due to an adjustment of one single project, the depreciation was INR 42 crores. Thereafter, the depreciation is average INR 32 crores. It would continue to be INR 30 crores over the next 8 quarters till the site the establishment lying in the gross block of the company is completely written off. The site establishment gross block was INR 225 crores or thereabouts as on March 22, after the -- when the accounting policies were changed to input method.

Today, the depreciation -- today, the gross block on unamortized or unwritten off-site establishment is INR 162.5 crores or INR 165 crores. So there has been a substantial reduction in debt. This reduction will start impacting the lower depreciation in the coming quarters. However, at the end of 8 quarters, starting March and ending March '25, you will have zero site establishment in the gross block, at which time the depreciation will fall to INR 12 crores to INR 15 crores per quarter.

Deepak Poddar: That will be post-March, right? When we would have -- I mean, expensed all this INR 30 crores per quarter for 7 to 8 quarters?

Rohit Katyal: Absolutely. But if you can send a mail to our IR team, they will be able to explain to you better.

Deepak Poddar: No. No. I understood. I got a fair understanding. And even in the interest cost, post -- we expect like in the next 6 months, the retention money to get released. So our interest cost would also kind of -- I mean, the half time from current levels of what...

Rohit Katyal: Yes, it's not hard. When you grow businesses, you issue bank guarantees also. When you issue bank guarantees, you pay commissions also, all right? Many companies recognize interest charged by the clients of mobilization advance in -- at the site level, we recognize in the finance cost, all right? So it is not comparable the 2 companies from a finance cost perspective. Yes, we do believe that if INR 250 crores is received, then fund-based debt will reduce by INR 100 crores at bare minimum. And to that extent, approximately INR 12.5 crores or INR 12 crores of high-cost debt, interest will come down for the company.

Deepak Poddar: Annually, INR 12 crores reduction?

Rohit Katyal: Annually. How much will be a saving on bank guarantees or LC discounting or discount charges, that depends on the revenue, which we are going to achieve. And even if that goes up or reduces by a couple of crores as a percentage through the top line will be lower with the interest coverage ratio improving significantly.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Rohit Katyal for closing comments. Over to you, sir.

Rohit Katyal: I would like to thank all of you, once again, for joining us on this conference call today. We hope we have been able to answer the queries. Please feel free to reach out to our IR team for any clarification or feedback. Thank you and see you in the next quarter. 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.