CAPACIT'E
INFRAPROJECTS LIMITED

Ref: CIL/STEX30/Q1FY24
Date: August 18, 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 August 16, 2023

Dear Sir,

We refer to our letter dated August 10, 2023 regarding the Intimation for Earnings Conference Call with Analysts/Investors to discuss the Operational and Financial performance of the Company during Q1 FY24 scheduled on Wednesday, August 16, 2023 at 11:30 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

CAPACIT'E INFRAPROJECTS LIMITED

D.S. Ladwa

Dinesh Ladwa
Company Secretary and Compliance Officer

Encl: a/a

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"Capacit'e Infraprojects Limited Q1 FY '24 Earnings Conference Call"

August 16, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the Company's website will prevail

MANAGEMENT: **MR. ROHIT KATYAL – EXECUTIVE DIRECTOR**
MR. RAJESH DAS – CFO
MR. ALOK MEHROTRA
MR. NISHITH PUJARY

Moderator: Ladies and gentlemen, good day, and welcome to Capacit'e Infraprojects Limited Q1 FY '24 Earnings 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 "*" then "0" on your 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 Limited 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. Thank you, and over to you, sir.

Rohit Katyal: Good afternoon, everyone. On behalf of Capacit'e, I welcome everyone to the Q1 FY '24 Earnings Conference Call of the Company.

Joining me on this call is Mr. Rajesh Das – CFO; Mr. Alok Mehrotra – President (Finance); Mr. Nishith Pujary – President (Accounts & Direct Taxation); and our IR team.

I hope everyone has had an opportunity to look at the Results. The "Presentation and Press Release" have been uploaded on the stock exchanges and on our Company's website.

The revenue and the resultant profitability was slightly lower as the revenues were linked to cash flow receipts. Cash flow for the Quarter 1 stood at 405 crores. However, with the sanction of additional working capital non-fund base limits of 150 crores by SBI, an infusion of 96.3 crores of equity, the liquidity position has significantly improved, and the same would get reflected in totality from H2 FY '24.

The project ramp-up has gained momentum and will start reflecting strongly in the numbers during the second half of the current financial year and onwards. The capital raised in Q2 FY '24 will be strategically utilized to fuel our future growth and fortify our operational capabilities allowing us to deliver exceptional value to our clients and stakeholders.

Other key updates

Projects awarded stood at 1,151 crores during Q1 FY '24, of which more than 60% was from existing clients. The Company has raised 96.3 crores from esteemed investors.

Recoveries of old stuck debtors is on track, and we believe we will be able to recover 35 crores in H1 of the current financial year, thereby strengthening our balance sheet and cash flow position. We expect retention recoveries to the tune of 50 crores in H1 FY '24 which will have a positive impact on our working capital cycles.

The order bid pipeline and enquiries remains strong from both private and public sector clients across segments. We are witnessing an overall positive and healthy shift towards quality contracting companies in the building segment.

Consolidated performance highlights for Q1 FY '24.

Revenue from operations in Q1 FY '24 stood at 430 crores as compared to 477 crores in Q1 FY '24. EBITDA for Q1 FY '24 stood at 76 crores as compared to 101 crores in Q1 FY '23. EBITDA margin for Q1 FY '24 stood at 17.4% as compared to 21% in Q1 FY '23.

EBIT for Q1 FY '24 stood at 51 crores at 11.8% as compared to 58 crores in Q1 FY '23, which was 12.2%.

PBT for Q1 FY '24 stood at 26 crores as compared to 38 crores in Q1 FY '23. PBT margin for Q1 FY '24 stood at 6% as compared to 8% in Q1 FY '23.

PAT for Q1 FY '24 stood at 19 crores as compared to 28 crores in Q1 FY '23. PAT margin for Q1 FY '24 stood at 4.4% as compared to 5.2% in Q1 FY '23.

We continue to be focused towards meaningful reduction in working capital cycle during the current financial year at 80 to 85 days in March '24 vis-à-vis 100 days in March '23.

Order book on standalone basis stood at 10,245 crores as on March 31st 2023. Public sector accounts for 63%, while private sector accounts for 37% of the total order book.

The gross debt stood at 357 crores with gross debt to equity at 0.33x. Net debt stood at 191 crores with net debt to equity at 0.17x.

Looking at the growth business opportunities, the promoter and promoter group have offered a pledge of 25 lakh shares as collateral security for renewal of Company's credit facilities from the banks. We believe that the Company's interest also of paramount interest.

Now the floor is open for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Chirag Singhal from First Water Capital. Please go ahead, sir.

Chirag Singhal: Sir, two main questions. First, on the execution side. So, I understand that we had liquidity issues, which appear to have resolved to some extent. Sir, what is the sales guidance for this year? And how do you envision the growth rates for the next fiscal, you know, based on your assessment on the funding limits availability? That is first.

And second is on the margins. So, we saw that there was some dip in the margins, but I believe that some of it was because of the site establishment expense moving from depreciation to above EBITDA level. So, for the full year, how are you seeing the operating EBITDA margin setting up?

Rohit Katyal: Seem, first of all, execution, as I just mentioned, for last year also, and in the Q1 of the current fiscal also, was linked specifically to inflow of funds from the client. Inflow for the first quarter was 405 crores, and therefore, without availability of any additional working capital limits, the Company achieved a figure of 430 crores. We just mentioned that 150 crores of tie-up has happened on the non-fund-based side, of which 50 crores of retention money is expected in H1 of the current fiscal, that means in Q2 of the current fiscal, which will improve the liquidity significantly.

Second point is that we have infused through preferential issue 96.3 crores in the Company which takes care of the complete mismatch. Now any further releases into the system, whether on account of advance, retention, release of old outstandings, which I just mentioned in brief, will add to the liquidity of the Company.

We see approximately 150 crores further getting added to the long-term working capital of the Company by the actions which the Company has promptly initiated, and therefore, the guidance for the full year does not change. We have given a guidance of 2,000 plus escalation on this 2,000 crores or revenue executed. So, it's around 2,100 crores, and there is no reason that we need to change that, because the growth from Q3 is given, and we do not see any hiccup, which will alter that growth. That's the first part of your question, first question.

Secondly, margins. We have been maintaining that the quarter-on-quarter margin should not be viewed at. The Company has been giving guidance for the whole year, and we have been achieving and maintaining that, and we see no reason why that will be any different in the current fiscal year. So, kindly, we request once again that stakeholders, investors should look at the full-year guidance rather than quarter-on-quarter basis. Hope to have answered your question.

Chirag Singhal: Yes. So, if you can please reiterate the margin guidance? What should be the range that we should be looking at for the current fiscal?

Rohit Katyal: So, we have given a guidance of 17% to 18%. We have so far year-on-year achieved and improved on that. However, the guidance will remain the same, and hopefully, we can give you a positive surprise.

Moderator: Thank you. Our next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: So, the first question is, you said 150 crore of overall collections we were expecting this year, and of which 85 crore which you have highlighted 35 crore through old debtors and 50 crores through retention money in Q2. So, this balance recovery in H2, what would be the breakup in terms of old collections and retention or it could be completely old collections?

Rohit Katyal: So, the retention stands at 170 crores. We have been able to maintain at that level because of additional guarantees. We believe that 50 crores of retention will be released in the first H1, that means Q2, up to Q2 of current financial year, and another 40 crores will be released in the H2 of the current financial year, so taking the total retention release close to 100 crores. Number one.

Number two, of the old outstanding slow-moving debtors, the Company starting Quarter 4 of last fiscal to date has recovered in excess of 30 crores. We believe that in the remaining period of the current financial year, another 50 crores to 60 crores will be realized, and that is why we, while this entirely becomes 210 crores or thereabouts, a conservative figure of 150 crores has been given.

Jiten Rushi: And sir, on the execution part, can you throw some light on the CIDCO project and the MHADA project, what is the status of CIDCO? How much has been executed in Q1 and the CAPEX for this year and the next year run rate monthly or quarterly for CIDCO and both MHADA project?

Rohit Katyal: So, starting with MHADA project, we had earlier eight buildings. Last time we said that we were given a scope of an additional six buildings. Work has started on all the 14 buildings now, and we expect the remaining 17 buildings or 16 buildings to be released in the current fiscal itself.

So, the revenue at the SPV level, while it is at about 30 crores to 35 crores per month at the moment in time, at the subcontractor level for Capacit'e, the revenue was 28 crores in Q1 of the current fiscal. We believe that there will be a momentum gain after the monsoons over there, while we are casting three slabs per month on each building.

However, the actual momentum will pick up in Quarter 3 of the current fiscal, and we do believe that we will be able to execute close to 40, 45 crores per quarter from that project alone as a standalone subcontractor, not at the SPV level. SPV level will be much higher.

Jiten Rushi: maybe 40-45 crores in Q3, Q4 broadly.

Rohit Katyal: Yes. So, that would add about 90 crores. And if you see last year, it was hardly any amount. Similarly, in CIDCO, we have built 104.74 crores in Q1 of the current fiscal. We believe that this figure will be slightly higher in the current quarter, but from Quarter 3 onwards, we do believe that this figure will be 60 crores per month or that our running rate will be 180 crores plus per quarter minimum.

Jiten Rushi: You should be doing almost 500 crore broadly this year from CIDCO?

Rohit Katyal: Easy.

Jiten Rushi: More than that?

Rohit Katyal: Easy.

Moderator: Thank you. Our next question is from the line of Yash Dantewadia from Dante Equity Research. Please go ahead.

Yash Dantewadia: I just wanted to know if you have plans to dilute any more equity through QIP or any other route and if we need more funds through this route?

Rohit Katyal: Sir, we have an enabling resolution for 200 crores of QIP. We are closely monitoring. Whatever will be in the interest of the Company will be done and as standing true to what we say, when we can offer pledge of 25 lakh shares for renewal of the limits, then you can, you know, gauge the confidence which the promoters have on the Company. Number one. And the management is ready to what it takes to bring back the Company to 600 plus crores of revenue per quarter. So, I cannot give you any timeline. However, we have an enabling resolution valid for one year, and whatever is best in the interest of the Company will be done.

Yash Dantewadia: Could you tell me the growth rate for FY '25 based on the visibility on the funding limits?

Rohit Katyal: We have told you that the Company should grow at least 25% year-on-year on the expanded revenue base. So, if you are doing 2,100 crore this year, you will grow at 25% minimum the next financial year.

Yash Dantewadia: And for this 2,100 crores revenue target or the guidance whatever you want to call it, that you have given, how much more funding do we really need to execute this project at this stage? Or do we have enough funding to execute this 2,100 crores worth of projects?

Rohit Katyal: We only need bank guarantee limits, and for that we have received a sanction of 150 crores already, and further sanctions of 300 crores are under process with various banks namely PNB, SBI, UBI. So, we believe that the Company will be well equipped within the third quarter of the current financial year for achieving the revenue guidance for FY '25.

Moderator: Thank you. Our next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: First off, just a clarification. I wanted to understand when you said the Ebitda margin outlook of 17%, 18%, does it include other income?

Rohit Katyal: Yes, definitely.

Deepak Poddar: So, that is including other income we are saying?

Rohit Katyal: That other income is hardly any portion. It's not a material or, you know, substantial portion that it needs to be looked at. Yes, if you want to reduce that and have a view, hardly make any percentage difference.

Deepak Poddar: And sir, just I wanted to understand, I mean, in the last Concall, we did say that we got some non-fund-based limit of about 100 crores, right? So, ideally, I always thought that our execution would not go down as compared to what we did in first quarter of FY '23 which was in the range of 477 crores to 480 crores, right? Because our non-fund-based limit has also increased. So, I just wanted to, can you throw some more light, like, why we saw downward division in our execution in this quarter when our fund-based limit has increased?

Rohit Katyal: A very good observation, Deepak. The point is that we had informed that on 4th of March 2023, we had received the sanction from SBI. You see the documentation, consortium, all these things take time.

So, primarily, the release has started happening on CIDCO limits in the first quarter of the current fiscal, and out of that, another 50 crores is being released in the current month and next month for release of the 50 crores retention. So, obviously, it couldn't have reflected in the revenue growth of the Q1 numbers.

What we have maintained in the last earning conference call and again, today, that the Company has tied up. The concern was whether a tie up would happen or not? That concern has been addressed, and with an additional infusion of 96.3 crores of equity, the Company is well-equipped to ensure that the current year's revenue guidance will be achieved.

Deepak Poddar: But I think in your opening remarks, as well as in your press release, I mean, the tone is more towards that the impact of this higher working capital would be seen more in the second half, right? So, do you expect your second quarter execution also to be on the muted side?

Rohit Katyal: See, I will just tell you. We have lost 15 days in July due to monsoon. Not we. Everyone has lost in Mumbai at least. All right. So, I do not want to guess too much on the monsoon intensity in August. July has been fair so far, has been kind so far.

Generally, you lose in a quarter 15, 17 days during the monsoon period, because if the work is only being done below the ground level, then there is an issue. Above ground level, there is not an issue with normal monsoons are there, but heavy to very heavy monsoons have been witnessed during July. So, therefore, there have been an impact.

What we have mentioned in our opening remarks is that you will see a very, very strong growth starting from Q3 onwards, where we do believe that 600 plus is a given. If we are targeting in serious sensibility 430, 420, or let's say, 850 crores in the first half year, we are definitely targeting more than 1,300 crores in the second half year, and that is why the revenue guidance.

I am being open because a Company who stopped of bank guarantee limits and now has started receiving them cannot just grow the next day of receiving the sanction. It takes a quarter to ensure that the revenue comes at its optimum and is visible in the quarter numbers.

Deepak Poddar: So, the mix that you mentioned is first half maybe 800 to 850 crores of execution and the second half maybe in the range of 1,300 to 1,350 kind of range.

Rohit Katyal: Absolutely.

Moderator: Thank you. Our next question is from the line of Vasudev from Nuvama. Please go ahead. Sir, line for Mr. Vasudev has dropped. Our next question is from the line of Shreyans Mehta from Equirus. Please go ahead.

Shreyans Mehta: Sir, first, if you could help us with the amount for the unbilled?

Rohit Katyal: The uncertified amount stands at 280.75 crores. For the entire crop contract asset bifurcation, please send us your email ID. We will mail it to you.

Shreyans Mehta: And sir, secondly, on our funded and non-funded limits, what is it at currently? And how much have you utilized?

Rohit Katyal: The current non-fund-based limits in the consortium utilization is at about 451 crores. We have an availability of 150 crores or thereabouts for utilization balance over and above what we have utilized. The LC utilization is at 130 crores, which reflects that the LC utilization over the last two years on an absolute basis in spite of increasing revenue has come down from 190 crores to 130 crores. And the fund-based limits sanctioned is at 165 crores, of which the utilization at the current moment is close to 130 crores.

Shreyans Mehta: 140 crores?

Rohit Katyal: 130 crores. It could be 2 crores here and there. This is the current position. Not on June 30th. Current position.

Shreyans Mehta: Sir, secondly, in terms of inflows, you know, are we still don't try for that 2,200 odd crores number?

Rohit Katyal: I just mentioned the quarter-wise revenue breakup what the Company is targeting. So, for the full year, yes, 2,000 plus escalation, 2,100 to 2,150. It depends on the escalation. You are talking about the order book or revenue?

Shreyans Mehta: Inflows, inflows.

Rohit Katyal: Order inflow. The order inflow target has been given at 2,200 crores to maintain that 3.5 to 4x the order book of the subsequent guidance, and out of that, we have already booked close to 1,200 crores. So, I don't see any challenge given the current strong bid pipeline which is happening. We believe that we should be able to do this and much more, but the guidance will continue at 2,200 crores.

Shreyans Mehta: And sir, can you highlight where we have bidded for which segment or which projects have we bidded for and where bids are yet to open?

Rohit Katyal: We are pre-qualified along with L&T and BG Shirke for MahaPreit Data Center of 800 crores. We are a Ll for Vartak Nagar MHADA. There has been a government change in Maharashtra, and there are many things going on. So, we are awaiting the work order yet. Apart from that, we expect a repeat order from Raymond very shortly. So, these three put together itself will ensure that we surpass the target of the current financial year.

Apart from this, we qualify for our RLDA projects. That is Railway Land Development projects. We qualify for airport projects and practically, most of the housing projects for which the bids are being invited by the Central and State government. Apart from this, we are bidding actively for hospital projects for both State and Central, and we do believe that for projects of 600 crores or thereabouts hospital or up to 800 crores the Company stands qualified on standalone basis.

Moderator: Thank you. Our next question is from the line of Ankita Saxena from EG Now. Please go ahead.

Ankita Saxena: I wanted to ask how are we looking at improving the credit rating from the agencies?

Rohit Katyal: You will see that rating upgrade within this month.

Moderator: Do you have any other questions?

Ankita Saxena: No, only this question.

Rohit Katyal: So, I just answered that you will see the rating upgrade happen within this month.

Moderator: Our next question is from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian: sir, my first question regarding private and public projects. What would be the margin difference between both?

Rohit Katyal: As explained during the previous Concall, we are only focusing on EPC projects in the government sector where the margin profile is similar or slightly better than the private sector projects, but in private sector, we are doing more of shell and core, like any other construction Company. So, obviously, the EBITDA margins over there will depend on whether we are constructing, there means in private sector will depend on whether we are constructing super high rise, high-rise or normal buildings. Generally, as a Company philosophy, we only go for high rises and above, and therefore, the EBITDA margins range between 14% to 23% between high rise and super high rise. So, therefore, you see an average EBITDA of 17% to 18%, which also is the guidance.

Balasubramanian: What kind of asset turns are expected in this year FY '24? Asset turn?

Rohit Katyal: Asset turn. So, we believe that our net asset will be in the range of 430 crores to 440 crores, and therefore, we do believe that we have a very good opportunity to be close to 4.7 to 4.9 in the current financial year as asset turns.

Moderator: Thank you. Our next question is from the line of Vasudev from Nuvama. Please go ahead, sir.

Vasudev: So, you know, I just wanted to know what is our CAPEX plans for FY '24? And how are we looking at our debt levels by the end of the year?

Rohit Katyal: So, the CAPEX plan continue to be pegged at 55 crores to 60 crores. There is an increase of about 20 crores in view of the new project which we have received in Quarter 1. That's number one. The total addition in the first quarter has been 12.77 crore. So, we do believe that from the earlier guidance of 40 crores, the overall CAPEX would be at about 55 crores to 60 crores. That's number one.

Number two was your question on the debt level. So, as I speak to you, the debt level in the current quarter has already fallen by about 18 crores, and we do believe that with the repayments of NCDs in the current financial year where another two installments have to be going, the debt reduction will be close to another 40 crores, 45 crores. So, putting together these two, 20 plus 60, we should be close to about reduction of 80 crores on gross level.

Further, the promoters' unsecured loan also will get converted in, warrants will get converted in the current financial year, and therefore, the promoter's debt appearing on the books will also get reduced, converted into equity.

Vasudev: And sir, second question is that we have seen our private sector share in order book is increasing. So, you know, do we have any comfortable share that we want to target or we are open to private and the government both at any mix?

Rohit Katyal: Vasudev, my point over here is that order book is dynamic. So, we are comfortable with 35%, 40%, 45% of private sector as well, if the client quality is not being compromised. Okay. We have seen top three years because of certain clients who are, you know, blew wide suddenly going bad. So, we do not want to get into that. Exposure per client will be a criteria as risk mitigation. Number one.

Number two, the government sector is no different. Clients which they are having, which have their own source of income are Central and State budgetary sanctioned, budgetary support are the projects or the clients we will be looking at.

So, this 35%, 36%, 37% is a number. Just because we got a couple of projects in the first quarter from the private sector, it increased from 33% to 37%. Maybe we receive another 1,000 crores from the government in the Quarter 3, and the government's share will go up.

However, I do believe that we would like to have a robust mix of government and private sector, and that ideally over the next two years should be visible at 70, 30 or thereabouts.

Moderator: Thank you. Ladies and gentlemen, that was the last question of our question-answer-session. I would now like to hand the conference over to Mr. Rohit Katyal for closing comments.

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

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