Ref No: PSPPROJECT/SE/91/22-23 **January 24, 2023**

Corporate Relations Department
BSE Limited
Floor 25, P.J. Towers,
Dalal Street, Mumbai- 400 001
Scrip code: 540544

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
Scrip Symbol: PSPPROJECT

Dear Sir/Madam,

Subject: Transcript of Earnings Conference Call – Q3FY23

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith a copy of transcript of Q3FY23 Earnings Conference Call held on Wednesday, January 18, 2023.

Kindly take the same on your record.

Thanking You,

For PSP Projects Limited

PATEL KENAN SURESHBHAI
Digitally signed by PATEL KENAN SURESHBHAI
Date: 2023.01.24 15:27:59 +05'30'

Kenan Patel
Company Secretary & Compliance Officer

Encl: As Above

"PSP Projects Limited 3Q and 9MFY23 Earnings Conference Call"

January 18, 2023

MANAGEMENT: MR. P. S. PATEL – CHAIRMAN, MD, AND CEO-PSP PROJECTS LIMITED
MRS. HETAL PATEL – CFO-PSP PROJECTS LIMITED

MODERATOR: MR. AMAR KEDIA – AMBIT CAPITAL

Moderator: Ladies and gentlemen, good day and welcome to 3Q and 9MFY23 earnings conference call of PSP Projects Limited hosted by Ambit Capital.

As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amar Kedia from Ambit Capital. Thank you and over to you.

Amar Kedia: Good afternoon everyone and a warm welcome to the 3QFY23 earnings con-call of PSP Projects. We have the management today being represented by Mr. P. S. Patel – Chairman, MD, and CEO and Mrs. Hetal Patel – CFO of the company.

I will now hand over the call to the management for their opening remarks post which we will open up the floor for Q&A. Over to you, Ma'am.

Hetal Patel: Good evening everyone. Thank you for joining our earnings call. Please note that a copy of our disclosures is available on the investor section of our website as well as the stock exchanges. Please do note that anything said on this call which reflects our outlook towards future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

With that, I would like to hand over the floor to our MD, Mr. P. S. Patel, for his opening remarks.

P. S. Patel: Good evening everyone. A warm welcome to each one of you and thank you for joining us on the Q3 and 9MFY23 Earnings Conference Call. I trust everyone is doing well. I believe you have got a chance to go through the financial results and investor presentation uploaded on the stock exchange and website.

The quarter has been decent in terms of execution and revenue after two subdued quarters. During quarter Q3 FY23, revenue recorded from all 7 **UP projects** was to the tune of Rs. 165 crores and Rs. 268 crores as on 9M FY23. The execution is being streamlined and you will see a better execution going forward from here. During quarter Q3 FY23, revenue growth recorded was 2% year on year largely because of a higher proportion of near completion projects during quarter Q3 FY22. The revenue during the quarter grew by 39% quarter on quarter largely aided by higher execution in all 7 UP projects put together. EBITDA margins have been in line with our guidance.

On the order book front, PSP Projects has an outstanding order book till date of Rs. 5,075 crores. During 9MFY23, the company has received the **highest ever order inflow of Rs. 1,950 crores** excluding GST as compared to Rs. 978 crores during the last 9MFY22, a 100% growth year-on-year basis. During the current financial year of FY23, majority of the projects awarded are from the state of Gujarat. One major development that took place in the company was **awarding a project of Surat Municipal Corporate** worth of Rs. 1,344.01 crores in January 2023, thereby taking our outstanding order book to Rs. 6,418 crores and order inflow as on FY23 to Rs. 3,294 crores, surpassing our order inflow guidance of Rs. 2,500 crores this year. The SMC project awarded is for construction of two 27 storey state of the art high rise office building with a built-up area of 2.20 lakh square meter. It is a turnkey project with 36-month completion. These buildings will be one of the tallest administrative buildings in India and tallest in Surat.

We are happy to announce that the company has **completed 200 projects** so far since its inception in 2008 with 85% of our projects consisting of institutional, industrial, and residential projects and balance 15% with government projects. As on 9MFY23, we have 46 ongoing projects. In many of our existing projects, the company has started supplying certain materials through our precast facility which shall help us achieve faster execution and aid us in maintaining the quality and speed.

I shall now inform certain key highlights that took place during the quarter and nine months.

Total **2 projects were awarded** during this quarter.

- They are the tallest residential project of Gujarat awarded by Nila Infra and our 7th project in GIFT City of value Rs. 122 crores,
- An industrial project by a leading chemical company based out of Baroda.
- Further we received a repeat industrial order to construct a chocolate factory and an additional order received from Adani Airport. This year, the order inflow has been the highest as compared to the past 5 years.

During the quarter, we **completed 4 projects**. All the projects were completed in time. A few of the prominent projects completed are:

- Township project of Torrent,
- Reliance Jamnagar project for animal rehab and rescue, and
- Industrial project for Wagh Bakri Group near Ahmedabad.

As on 9MFY23, out of the outstanding order book, the government projects comprised 52%, institutional projects comprised of 26%, industrial and residential projects comprised of 11%. As on date, we have 46 ongoing projects of which 53% are based on Gujarat, 32% in UP, and 14% in Maharashtra. EPC and Turnkey projects constitute 69% and civil projects constitute 31%. EPC projects include planning, designing, construction, and post-construction activities that have opened the horizons of growth for our company since the last few years.

Going forward, we have a **bid pipeline** of approximately Rs. 4,500 crores of which 60% is from private projects and around 25% from the state of Gujarat. A few of the major projects in our bid pipeline are:

Gems & Jewery Park, Mumbai	1,200
Central Vista_MP Chambers At Delhi NCR	1,210
Private Residential Township, Delhi NCR	500
IT Park, Chennai	370
Development of Dharoi Dam	334
Industrial Project in Hazira	300
Delhi Metro MEP Package	200
One of Tallest Residential in Ahmedabad	120

To summarize, this financial year, by far, has been the best year in terms of order wins which will very well be reflected in our growth going forward. A pickup in private CAPEX is adding to India's growth story. We are confident and positive for the growth in our business segment.

With this, I conclude my remarks, and now I would like to have over the call to Mrs. Hetal Patel to take us through the financials.

Hetal Patel: Thank you, PS sir. The financial performance during the quarter ended December 2022 is as below:

Q3FY23 vs Q3FY22

- Revenue from operations for the quarter is at Rs.497 crore vs Rs. 486 crore, increased by 2 % YoY basis
- EBITDA for the quarter is at Rs. 62 crore vs Rs. 74 crore, lower by 17% YoY basis.
- EBIDTA Margin is at 12.39% vs 15.25%.
- Net profit for the quarter is at Rs. 35.32 cr vs Rs.46.94 crore, lower by 25% YoY basis.
- PAT Margin is at 7% vs 9.5%.

During the quarter, the revenue generated from 7 UP Projects put together was Rs.165 crores during Q3FY23. Cumulative revenue till 31 December 2022 is Rs. 417 crore.

Decrease in Other income is mainly attributable to reversal of impairment of loan of 2 cr to subsidiary company PSP Projects and Proactive Constructions Private limited in Q2 which is not there in Q3 FY23.

Increase in Employee expense is mainly due to increase in employee strength, annual appraisals and increments and increase in managerial remuneration during 9 months of FY 22-23.

Increase in Finance cost is can be attributable to increase in utilization of fund based limits, increase in interest rates and issuance of bank guarantees for newly awarded projects.

Would like to mention few of the important balance sheet numbers as on 31 Dec 2022.

Long term borrowing : 51 crores 46 cr in Q2

Short term borrowings : 140 crores 111 cr in Q2

Gross Block of assets: 380 crores Net block 217 crores additions during the quarter Rs 29 crores which includes purchase of capital assets for new sites.
Net Amount Due to customers ie. Advance billings : 15 cr
Net Unbilled Revenue 150 cr
Retention – non-current 101 cr
Retention current: 33 cr,
Mobilisation Advance: 169 cr
Working capital days are as follows:
Debtor days are 79
Creditor days are 60
Inventory days are 22
Total net working capital days are 41
Out of total credit facility of Rs. 1,047 crore, utilised limit is Rs. 858 crore of which Rs. 140 crore are fund-based utilisation and Rs.718 crore is non-fund-based utilisation. Increased fund based utilisation can be attributable to additional capex mobilised at new sites and significant payment of advances to suppliers and contractors for UP projects. Increase in nonfund based limits also justified on account of bank guarantees issued for new sites.
As on 31 December 22, The company has total fixed deposits of 316 crores out of which free deposits are of Rs 60 crores, FDs worth Rs 253 crores are under lien with Banks for credit facilities and FDs given to clients as security deposits amounts to Rs 3 crores.
Work on hand as on 31 December 22 is 5075 cr.

That concludes the updates on financials, and we are now open for Q&A session.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait while the question queue assembles. We have our first question from the line of Shravan Shah from Dolat. Please go ahead.

Shravan Shah: First of all, congratulations for a significant order win. Sir, I was saying that in terms of the execution, this quarter seems to be much much lower versus what we were expecting. Last quarter, we said, particularly in UP projects, we were expecting Rs. 250-odd crores kind of execution and now we have only Rs. 165 crores. So, Rs. 85 crores less. Total for FY23, we had guided close to Rs. 2,200 crores revenue. Till now for 9 months, we have done close to Rs. 1,200-odd crores. So, we need Rs. 1,000-odd crores in the 4th quarter. So, how do we see the 4th quarter and for full year, how much now lower number are we looking at? And continuing to that, for a couple of years, we were looking at 25% kind of a growth. So, will the lower execution for this year will be compensated in FY24 by having a much higher revenue growth in FY24?

P. S. Patel: Shravan, you are absolutely right. The total revenue which everybody expected and even I expected is a little bit less than what we targeted and what we envisioned throughout the year. But the point here was little bit for the UP projects, now we are at the stage of finishing and MEP and each and everything has to be approved through PMC and again through the government. So, things are getting a little bit late at the approval level. But yes, you are absolutely right that we are falling short of about Rs.100 crores in this quarter and maybe Rs. 100 crores in the next quarter, but probably going ahead from here, now we have already started booking some of the revenues of MEP. Projects are in line except the hospital buildings which are a little bit late which will be completed next year. But major other projects are going on track. And now, we are also tracking a little bit more closely. So, I feel that we may fall short of about Rs.100 crores overall but let us still believe that probably we will be able to reach to Rs. 2,100 crores by this year. This quarter actually what I expected was about Rs. 600 crores and we have landed at Rs. 500 crores. So, I am still saying that maybe we may fall short of Rs.100 crores.

Talking about next year revenue and compensating on what we have been doing today is yes, you are right that probably that can be considered that even if we fall short of Rs. 100 crores, then from Rs. 2,200 crores going for 20% or 25% growth, we should be able to in the position to go for Rs. 2,700 crores. so that this year's revenue which we have made fall short of Rs. 100 crores can be compensated.

Shravan Shah: And hope we should be able to compensate whatever the loss we have done on the execution front going forward. Now, coming on the inflow front, we have already done close to Rs. 3,300 cores. What is the status of Rs. 350 crores L1 for the Gujarat Tourism project? And how much more orders we can still get by end of March 2023 and how much now can we look at for FY24? Rs. 4,000 crores kind of order inflow to sustain the 25% growth? That's the number we are looking at?

P. S. Patel: You are right that the Rs. 350 crores order of the government of Gujarat is still pending and we are waiting for the approval. It is in the process. That order has already been through from the department and now it is in the process with the government. Probably, we are expecting the order to come soon. So, expecting that order and further expectation of 1 or 2 orders which we have already bidded and with one of the clients whom we are working, you may expect a further Rs. 200-250 crores order. So, probably, we will be in the range of near to Rs. 3,900 crores or Rs. 4,000 crores. But what you are saying is do we expect the same next year? Again, I would like to say, it's an opportunity which you get. This year also, we were expecting only Rs. 2,500 crores and it was a luck by chance that we get an opportunity to bid for large project of Sural Municipal Corporation. So, things are moving faster. Projects from government and the private both are coming very well and all the CAPEX from institutions like Adani, Reliance, and Arcelor Mittal are still in line. So, probably, we will be having a good order inflow next year also. But requirement from our side even if we target for next year Rs. 2,600 crores, requirement for 25% growth will be somewhere in the range of Rs. 3,000 crores. If we reach to Rs. 4,000 crores, it will be better luck for next year also.

Shravan Shah: Lastly, on the margin front, the guidance remains the same, 12% to 13%. That should not be an issue in terms of the EBITDA margin front?

P. S. Patel: Yes. I think, Shravan, you are always ahead of mine. I always say 11% to 13% and you always say 14%. I would like to say that EBITDA for a construction company to justify each and every project may vary from 1% to 2%. But yes, the confidence with which we bid the tender and confidence with which we execute the project, I think we should remain in that range only.

Shravan Shah: Lastly, Hetal ma'am, I need the data points on the balance sheet front, the absolute number on inventory trade receivable and trade payable.

Hetal Patel: Trade receivables are ending at around Rs. 400 crores and inventories Rs. 114 crores around, which includes Rs. 40 crores of WIP which are for the new sites. And trade payable is around Rs. 300 crores.

Shravan Shah: This Rs. 400 crores trade receivable you mentioned last September it was Rs. 280-odd crores. Does this including the retention money?

P. S. Patel: No. That is because of the pace of the construction has gone a little bit higher than the last quarter. So, the revenue which we booked in the last month of December, that outstanding is adding on to that total of Rs. 280 crores which was there in September. That's the reason, not including the retention.

Hetal Patel: And further to clarify the amount now if we see, whatever outstanding was there as on 31st of December, we have already collected around Rs. 130 crores from those outstandings. Major execution was in November and December months. That amount we have received till now, around Rs. 130 crores has already been collected.

Shravan Shah: So, on a yearly basis, the debtor days should not be more than 60 days though. That's a normal that we have. Though it has increased as of December, but you mentioned we have received in January?

Hetal Patel: Yes, right.

Moderator: We have our next question from the line of Nikhil Kanodia from HDFC Securities. Please go ahead.

Nikhil Kanodia: Firstly, congratulations on the very strong order inflow for this 9MFY23. My first question was on the execution front which you have already answered. So, my next question would be on the order book. What is the order book under execution as on date?

P. S. Patel: It is Rs. 5,075 crores.

Nikhil Kanodia: What is the share of Bhiwandi and Pandharpur projects in the order book?

P. S. Patel: It is Rs.730 crores, which comprises 14% of our outstanding order book Rest of the projects are on track.

Nikhil Kanodia: Sir, do we have any update on the hearing on the EWS Bhiwandi project?

P. S. Patel: They have accepted the person's name which we have initiated as an arbitrator from our side. Probably, next hearing, the arbitration should be awarded and both the arbitrators would be appointed. That's what we are expecting.

Nikhil Kanodia: Sir, what is your bid pipeline as on date?

P. S. Patel: Bid pipeline, as already declared, Rs. 4,500 crores.

Nikhil Kanodia: And of Rs. 4,500 crores that you are saying, the private orders would be?

P. S. Patel: Private orders would be 60%.

Nikhil Kanodia: And majority of this would be from the state of Gujarat?

P. S. Patel: Gujarat constitute 25% of the bid pipeline while the rest are from outside Gujarat. Gem and jewelry Park, Mumbai, IT park in Chennai. There is one more project of Central Vista and one Rs. 500 crores again from Delhi.

Nikhil Kanodia: So, Rs. 1,200 from Mumbai, Rs. 1,700 from NCR, and the balance would be from Gujarat itself, right?

P. S. Patel: Yes.

Moderator: We have our next question from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Sir, I just wanted to understand, we have comfortably surpassed the order inflow which we were targeting. So, how much further order inflows we are looking at because we have a whole 3-month busy period for order inflows coming up. Your thoughts on that. If there an opportunity and if we are getting, say, a cumulative orders of Rs. 1,500 crores to Rs. 2,000 crores further, are we open to that or how is your thought process, sir?

P. S. Patel: We have reached to Rs. 3,300 crores order inflow for this year. And as I already said that one order is in the process of approval that is of Rs. 350 crores from the state of Gujarat. And the second order is what we have bid. We are expecting that we should get that opportunities from private sector. But I feel like that we should be able to reach to about Rs. 3,800 crores to Rs. 4,000 crores in this year. And about the opportunities which you are saying, yes, we are bidding for some of the projects, but most of the projects are in process which takes minimum 2 to 3 months; like gems and jewelry park is on since the last 6 months, Central Vista MP Chambers Office it is only at the PQ stage. So, probably that may not come before March 2023. So, presently, the bid pipeline what we have seen, we may get this converted into final order or maybe get an opportunity to bid for a final order will be somewhere in the month of after March 2023.

Alok Deora: The Rs. 350 crores order which you highlighted in the previous answer as well, this we have already received, or we have got some indication?

P. S. Patel: That's the government tender where we stood L1 and it was just before the elections came up in Gujarat. The process from the government has already been done but just after the election and just after the forming of new government that the order has gone in the approval stage. We stood L1, so we declared it.

Alok Deora: So, we are already L1 in that.

P. S. Patel: Yes.

Alok Deora: Sir, you mentioned that there is some execution which was expected this quarter, 4th quarter, which would likely now happen in FY24. So, what's the growth we are looking at now in FY24 or FY23? Just some guidance on the revenue.

P. S. Patel: The type of projects which we have received from March to till now that all projects which are new for this year have already been started and the inclusion of new staff which has already been reflected through our operating expenses also. So, we would like to expect the same growth of 20% to 25%. Even if we get a reduction of Rs. 100 crores this year, we would expect the same next year.

Alok Deora: Just last question, sir. How is the precast execution happening and any expansion plans there or any progress there on that?

P. S. Patel: Yes, we are now getting the inquiries from the market. These inquiries are on with the clients and discussions are still on. The order which we have already received are from L&T and Godwitt for whom we are making warehouses, those projects are on and the production facility for L&T bullet train materials which we have to supply on the duct site is getting ready also. So, I see a better future that inquiry should come, and as and when we execute 1 or 2 buildings, then we should get good inquiry on that part also.

Moderator: We have our next question from the line of Nikhil Abhyankar from DAM Capital. Please go ahead.

Nikhil Abhyankar: Sir, just to clarify, you have given a revenue guidance of around Rs.21 billion for FY23 and around Rs.26 billion to Rs.27 billion for FY24, right?

P. S. Patel: Yes.

Nikhil Abhyankar: Can you give us the unbilled revenue, the retention money, and mobilization advance?

Hetal Patel: I have already mentioned, but we will repeat it again. Net unbilled revenue is Rs. 150 crores and mobilization advance is Rs. 169 crores. And retention money, noncurrent and current I will say – non-current is Rs. 101 crores and current retention money is Rs. 33 crores.

Nikhil Abhyankar: Sir, I just wanted a clarification. You mentioned the execution of the Surat Municipal project of 3 years, right?

P. S. Patel: Yes, 36 months.

Nikhil Abhyankar: So, what can be the run rate of revenue in FY24 for this project?

P. S. Patel: Because the first part will be doing the basement and the foundation, we should expect about Rs. 300 crores to Rs. 350 crores first year as it will be only to structure part. Later 2 years where we will be partly structure and partly finishing and MEP and furniture. So, first year we should expect about Rs. 300 crores to Rs. 350 crores minimum from that project.

Nikhil Abhyankar: Then, equal for the remaining 2 years?

P. S. Patel: Yes.

Moderator: We have our next question from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: Sir, my first question is on the revenue guidance. You have given a guidance of Rs. 2,100 crores. So, should we assume a strong run rate in Q4? What kind of contribution you can expect from UP project? because, as you said, Rs. 900 crores revenue in Q4 to achieve a target of Rs. 2,100 crores and UP projects are still more than Rs. 1,000 crores will be left.

P. S. Patel: Probably combined both civil and MEP and other execution which we have to do in these UP projects, now we are targeting about Rs. 100 crores each month from UP for all the projects.

Jiten Rushi: So, in all 7 projects, combined you are targeting Rs. 300 crores revenue in Q4?

P. S. Patel: Yes, we are planning to execute that, and that's what our target is.

Jiten Rushi: So, balance Rs. 600 crores will be from your existing ongoing. So, basically, sir, what I can understand is, out of Rs. 5,075 crores order book, your executable order backlog could be around Rs. 3,500 crores because (Rs. 1,350) crores is Surat and some projects which you have won in Q2 might not be contributing in a big way in Q4. So, exactly we can assume around Rs. 4,000 crores is executable of which around Rs. 1,000 crores is from this project of UP. So, the balance that we are expecting Rs. 600 crores from other projects. Right, sir?

P. S. Patel: Yes.

Jiten Rushi: So, this would be the highest execution we will see in the history of the company for the quarter?

P. S. Patel: Yes, it is always the highest quarter each year. If you compare with quarter 1, 2, 3 and the fourth quarter is always the highest because that's the peak period where construction companies can execute the projects very smoothly without any interference from the uncertainties of labor and all that. That has been the history. So, we expect the same this year also.

Jiten Rushi: I was just of the view that you had guided for Rs. 2,000 crores in Q3 in terms of revenue. So, I think even after not meeting the target for Q3, you have given a higher guidance for FY23. That is what my concern was.

P. S. Patel: No, we have already given guidance about Rs. 600 crores in quarter 3 and rest of which we are expecting in next quarter only, but here we are falling by Rs. 100 crores. So, we are trying to say that overall we may get a reduction of Rs. 100 crores.

Jiten Rushi: Sir, on the Surat project, you have to build 2 towers of 27 floors. Right, sir?

P. S. Patel: Yes.

Jiten Rushi: Hetal ma'am, can you give me the cash and bank balance and what is the precast revenue in Q3 and precast outstanding order backlog?

Hetal Patel: Precast backlog will not be separately mentioned because now even for our current projects also, we are manufacturing some of the precast elements. But yes, you can say our earlier order of L&T has been almost executed of value Rs. 60 crores. And the balance, we can say, Rs. 153 crores, the new order is under execution.

Jiten Rushi: So, you said Rs. 60 crores revenue is booked in Q3 from precast and Rs. 153 crores is the order backlog?

Hetal Patel: You can say cumulatively, but going forward it will be more like backward integration for us because we will not be segregating the revenue for our existing sites.

Jiten Rushi: So, Rs. 60 crores cumulative revenue booked so far in precast in 9 months?

Hetal Patel: Yes, that's correct.

Jiten Rushi: So, basically Q3 is low because in the first quarter, you bid Rs. 30 crores and Rs. 75 crores in Q2. In Q3, there has been not much revenue booking from precast, right?

Hetal Patel: That we cannot say exactly because as I said, we need to send precast elements to our other projects also.

P. S. Patel: Some of the things of civil is converted into precast. So, the precast plant is being utilized as a company's asset, not as an individual cost center.

Jiten Rushi: For a particular client. Okay. Sir, what kind of contribution we can expect from precast from FY24 onwards? As you just said we are integrating with our ongoing projects. So, what kind of benefit we will get now in terms of execution, timeline, the margin? And any bonus we can earn because of this precast advantage we have? Any thought on this from next year onwards?

P. S. Patel: Actually in building sector. As far as bonus is concerned, bonus clauses are never there in the private sector or the government sector in the building sector. But yes, the execution speed may give temptation to the client to give us a better margin because that way, they are saving some time on the project site. That can be a reason to add on more profits in future.

Jiten Rushi: Because you said if you use precast, your order value will go up because of that. Obviously, saving on time is an advantage to the client.

P. S. Patel: Yes.

Jiten Rushi: Ma'am, cash and bank balance as on December?

Hetal Patel: I have already mentioned that amount of fixed deposits. That contributes to our major cash and bank balance. It is Rs. 316 crores.

Moderator: We have our next question from the line of Samyak Shah from Sameeksha Capital. Please go ahead.

Samyak Shah: I wanted to know about your CAPEX plan. What will be the CAPEX going forward as a percentage of sales if you can say?

P. S. Patel: CAPEX if you see throughout, I think every year it ranges between 3% to 4%. Probably, that will be the standard criteria. And will still be in the range of 3% to 4% provided some extra orders also come up suddenly, then that can be an impact of 1%. Otherwise, it should be within the range of 3% to 4% of revenue.

Samyak Shah: Sir, for the Surat high-rise building, what are the margins that we are expecting in that?

P. S. Patel: It is based on the same guideline what we have been quoting till now. So, that will be carrying the same margin.

Moderator: We have our next question from the line of Uttam Kumar Srimal from Axis Securities. Please go ahead.

Uttam Kumar Srimal: Ma'am, my question is basically related to your debt position currently. This quarter, our interest cost has gone up. This run rate will continue in the fourth quarter also?

Hetal Patel: Currently, what we have utilized our working capital facilities of Rs. 140 crores. Because of that, the finance cost has increased, but it may not continue. Currently, UP projects, we need to pay advance to some of the contractors. When it realizes into sales bills, it will be reimbursed and the company will not be continuing with the same level of WC utilization.

Uttam Kumar Srimal: Ma'am, your long-term debt has also increased compared to last year.

Hetal Patel: Yes, around Rs. 5 crores we have taken loans from banks.

Uttam Kumar Srimal: So, currently it is standing around Rs. 15 crores?

Hetal Patel: Yes, right. If you compare with last year, it has increased but if you compare to September, an addition of Rs. 5 crores we have done.

Moderator: We have our next question from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Sir, I just wanted to understand on the cash flow part a little better. When I look at Q3, because we saw a ramp-up in execution at UP project, we saw the debt go up and even the FD balance seems to have come off on a sequential basis. Given the fact that in Q4, we are targeting a significant jump in revenues, right? From Rs. 500-odd crores, we are planning to go to almost around Rs. 900 crores. So, is it fair to assume that the debt would go up even further in Q4 or do you think the cash flow from operations will take care of it?

P. S. Patel: Yes, you are right, but as Hetal Ben has clarified that about Rs. 140 crores has been given to subcontractors for MEP and most of the MEP materials will always carry in advance before placing the order to the suppliers. That’s the only reason that the debt has gone up. Otherwise, probably, this should not affect every time. And for this quarter also, cash flow is disrupted because some of the overhead expenses has gone a little bit high compared to last quarter, about Rs. 6 crores to Rs. 7 crores. That is impacting our net profit clearly. And that is because thestaff infusion from March onwards to cope up with the new requirements of the projects which we have started after March, and that’s the reason that cash flow is a little bit disrupted.

Prem Khurana: I wanted to understand the new projects that have come to you during the year, Rs. 3,300-odd crores including Surat Municipal Corporation. Most of these would carry mobilization advances. Am I right?

P. S. Patel: Yes.

Prem Khurana: And how much of these mobilization would have been drawn till this time? And how much more would you be able to draw if you decide to draw these mobilization advances?

P. S. Patel: I think Hetal Ben has already given that figure of Rs. 160 crores of mobilization advance we have still outstanding on the books which we have got from the different clients till now.

Prem Khurana: No, I wanted to understand the new projects, say, from there how much would you be able to draw eventually wherein…. Surat Municipal Corporation would have some number, right? And you would be able to use that money whenever you decide to?

Hetal Patel: recent orders we received from SMC that mobilization advance is yet to be received. That effect will come in this current quarter.

Prem Khurana: Only SMC is wherein we are yet to draw; otherwise, we have drawn from all the other projects?

Hetal Patel: Yes.

Moderator: We have our next question from the line of Vishal Periwal from IDBI Capital. Please go ahead.

Vishal Periwal: Just one clarification. The order book breakup that you provide between industrial and institutional, the government related orders they are in 2 categories – government and government residential – and the rest are private. Is that fair understanding?

Hetal Patel: Yes, there are 2 categories.

Vishal Periwal: So, the government orders are only in government and then government residential. The rest are private, right?

P. S. Patel: I think you are asking a question that if government projects are distributed in 2 heads, i.e., one is government institutional and one is government residential. I think that's the right thing that you are saying.

Vishal Periwal: Yes.

P. S. Patel: Yes, it is divided into two. The government residential means when we get an order related to the EWS and all the such types of works which comes from the government side.

Vishal Periwal: I think, then, the further breakup is like the private side which is institutional in particular, it has seen a jump in the order book. Any particular segment in institutional that is driving it or overall the private CAPEX that you talked in the initial commentary? Can you give a little color like which segment is driving this private CAPEX?

P. S. Patel: No, the overall projects which we get from other private corporates and their internal CAPEX, only partly sometimes it is industry and sometimes it is more related to their office infrastructure.. Or the residential facility has to be created for any group. Such types of projects come from the private sector.

Vishal Periwal: So, probably, it's a mix of things and won't be fair to pinpoint on one particular segment for this breakup?

P. S. Patel: No, it will be a mix of anything which is related to buildings.

Moderator: We have our next question from the line of Vijaykumar from Spark Capital. Please go ahead.

Vijaykumar: I just wanted to understand, for the Sural Municipal Corporation project, do we have land and funding in place?

P. S. Patel: You are asking about the funds being in place or not?

Vijaykumar: Funding and approval planned, are they in place and when it will start? What is the timeline for completion of the project?

P. S. Patel: The project has been already announced. The land is very clear because it was previously a jail. Now, the jail has been shifted from that location and it is grounded also. So, project approval is clear. Finance is, still we are not having any clarity from the government side but since this being a marquee project and the first initiation for any project from a government going for 27 storey as a vertical tower for government offices, I think either the state government and the municipal corporation, both will be taking initiative to complete this project.

Vijaykumar: What about the approvals or land acquisition?

P. S. Patel: I said that it was a jail and the jail has been vacated. Currently, it is total ground at site. And they have told us that the pre-approvals are also on track because this project was opened since the last 6 months in terms of paperwork and tendering and other processes. As far as these processes, I think there should not be any hurdle in terms of approval and land as of now.

Vijaykumar: When do we expect this to start? And is it a 2-year completion period?

P. S. Patel: No, it is 3 years; we have declared 36 months. We have to carry out Rs. 1,344 crores. And it should start maybe maximum by 1 to 1.5 months.

Moderator: We have our next question from the line of Nikhil Kanodia from HDFC Securities. Please go ahead.

Nikhil Kanodia: Hetal ma'am, I just wanted to confirm the debt numbers. You mentioned that Rs. 51 crores is the long-term debt and Rs. 140 crores is the short-term debt, right?

Hetal Patel: Yes, right.

Nikhil Kanodia: And what is the cash/bank balance that you would be having?

Hetal Patel: Cash and bank balance is around Rs. 5 crores but our FDs will be Rs. 316 crores, as I have already mentioned.

Moderator: We will take a question from Mr. Akshay Kothari from Envision Capital. Please go ahead.

Akshay Kothari: Sir, I wanted to know the reason for slower execution. One of them could be Gujarat elections?

P. S. Patel: No, it has nothing to do with Gujarat elections. Lower execution is majorly at UP side which we were expecting better than we have done, and that is mostly because at the finishing stage, we have to get each and every material approved and at the MEP stage, each and every brand has to be approved. And that is the approval which comes from 3 sides – architect, PMC, and the client. So, there it took a little bit of time and that's the only reason for the lower execution.

Akshay Kothari: Sir, there are some articles and talks about bigger players like Tata, Adani, Reliance and other bigger EPC players getting aggressive on the EPC front as well, which they were not earlier. What are your views regarding it?

P. S. Patel: I don't have knowledge about Adani getting. They are more into infrastructure. Tata Projects on the buildings side, they are maybe having 10% to 20% of their order book actually 70% to 80% of orders comes from Infrastructure. So, EPC side, presently, largely the contracters which are bidding since the last 3-4 months, we see only L&T, Shapoorji, NCC and sometimes Tata on the buildings side.

Akshay Kothari: Sir, generally what is the trend? Elections are due in the next 400 days. So, there is very much likely that it would be a populist budget. What is the general trend 1 year before elections? Do we see a slowdown in some order inflow or the order inflow actually increases? What are the trends as per your experience?

P. S. Patel: I don't understand the trend about election and issues in terms of execution of order or gearing of order. But the situation what we see since the last 6 months is the economy is growing so fast on the private side as well as the government. And the government order which has already announced, even if that comes to execution in the next 2 years, I think there is a huge plenty of works for all of us to do for the next 3 years.

Moderator: I now hand over the call to the management team for closing comments. Over to you, sir.

P. S. Patel: Once again, thank you everyone for joining us and for your continued support and trust on us. We hope that we have been able to address most of your queries. In case of further queries, you may reach out to our investor relations advisor, EY, and they will connect with you offline. Thank you, Amar, for hosting our call.

Moderator: On behalf of Ambit Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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