

Ref No: PSPPROJECT/SE/61/23-24

November 08, 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 – Q2FY24

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith a copy of transcript of Q2FY24 Earnings Conference Call held on Thursday, November 02, 2023.

Kindly take the same on your record.

Thanking You,

For PSP Projects Limited

Kenan Patel
Company Secretary & Compliance Officer

Encl: As Above



“PSP Projects Limited Q2 FY24 & H1 FY24 Results Conference Call”

November 02, 2023



**MANAGEMENT: MR. P. S. PATEL – CHAIRMAN, MD & CEO, PSP
PROJECTS LIMITED
MS. HETAL PATEL - CFO, PSP PROJECTS LIMITED**

**MODERATOR: MR. ASHISH SHAH – JM FINANCIAL INSTITUTIONAL
SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to PSP Project Limited Q2 FY24 Results Conference Call hosted by JM Financial.

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 the operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that the conference is being recorded.

I now hand the conference over to Kenan Patel. Thank you and over to you.

Kenan Patel: On behalf of the management, I am pleased to welcome you all to PSP’s earnings call to discuss Q2FY24 quarterly financial results. Please note, a copy of all our disclosures is available in the Investors section of our website as well as on the stock exchange. Anything said on this call, which reflects our outlook for the future, or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

Now I shall hand over the call to our Chairman sir for his opening remarks. Over to you, sir

P. S. Patel: Thank you, Kenan. Good evening, everyone. A warm welcome to the earnings conference call of PSP Projects Limited to discuss the unaudited financial results for the second quarter and half year ended on 30th September 2023. We concluded the board meeting this morning and uploaded the detailed Investor Presentation on the stock exchange and website for your review, I hope you got a chance to review the same.

I shall first discuss the key highlights that took place during the quarter.

During Q2FY24 and H1FY24, the company was **awarded** 9 projects and 14 projects respectively. During the quarter, key projects awarded are:

- Commercial building in Gift City;
- Astral Corporate House Phase III;
- Additional scope of work for Construction of Chocolate Plant (Phase III) for a Multi- National Company in Sanand, Ahmedabad;
- Balance are some institutional and Industrial precast orders totaling to Rs.42 crore.

During the quarter, the company **completed** 2 projects, one for Surat Smart City Development Command Center and Adani Group's school in Ahmedabad.

As on 30 September 2023, the **outstanding order book** was to the tune of Rs.4,898 crore, a marginal decline by 4% on YoY basis on account of faster execution and completion of on-going projects in comparison to order inflow. Out of the outstanding order book, the private projects comprised 48% while Government projects comprised 52%. As on 30th September 2023, there are 54 on-going projects, 83% of which are in based in Gujarat, 17% in UP. Till date, the company has completed 212 projects in total since inception with 84% private projects and balance were Government projects.

During the quarter and half year, the company received an **order inflow** to the tune of Rs.175 crore and Rs.934 crore excluding GST respectively. During H1 of the past five years, the average order inflow received by PSP Projects has been to the tune of Rs.710 crore, except for H1FY23 where the order inflow was in excess of Rs.1,500 crore. In addition, considering the recent orders received by the company, the order inflow as on date stands at Rs.958.62 crore. We continue to maintain our guidance on the expected order inflow of nearly Rs.3,000 crore in FY24 considering the robust bid book in place.

During the quarter, the company was bestowed "Contractor of the year" **award** for 500 Crore or above projects category as well as "Excellence in Construction Sector" award for the project "Development of Shri Kashi Vishwanath Dham" by the Gujarat Contractors Association Awards & Vibrant Summit, 2023

Now, I would like to share the project level updates.

Regarding the **UP Projects**. During the quarter, the revenue booked from all **UP projects** is to the tune of Rs.268 crore and as on date the revenue booked is Rs.1,183 crore. The projects are at advanced stages and work is going on as per schedule.

Regarding SMC administrative building, the project is on track. The rafts are completed. Till 30 September 2023, the company has booked a revenue of Rs.122 crore from that project.

Regarding the dispute with Pandharpur, the Hon'ble High Court at Bombay, Civil Appellate Jurisdiction, has appointed two Arbitrators as nominated by each party and the nominated Arbitrators in turn have also appointed the Presiding Arbitrator and thus

the Arbitral Tribunal has been formed. Preliminary hearing will be held in coming months for giving instructions to parties on further proceedings in the matter.

During Q2FY24, the revenue from operations grew by 70% to Rs.607 crore. The EBIDTA grew by 91% to Rs.74 crore. The EBIDTA margin for the quarter is at 12.2%. The improvement in revenue is a mix of higher execution of our on-going projects and UP projects being on advanced stage of completion.

As per latest statistics, the Indian economy is expected to double in the next seven years, with infrastructure spend to double from an estimated of Rs.66.7 lakh crore between fiscal year 2017 and 2023 to Rs.142.9 lakh crores between fiscal year 2024 and 2030. During the recent visit of PM Narendra Modi in Gujarat he announced and laid the foundation stone for projects worth Rs.6,909 crore to be utilized towards railways and urban infrastructure, smart cities, tourism etc. There exists immense opportunity for growth for the company in the coming future.

With this, I conclude my remarks and now I would like to handover the call to Ms. Hetal Patel to take us through the financials in detail.

Hetal Patel:

Thank you, Sir. The financial performance during the quarter ended September 30, 2023 is as below:

Q2FY24 vs Q2FY23

- Revenue from operations for the quarter is at Rs.607 crore vs Rs. 357 crore, increased by 70 % YoY basis
- EBITDA for the quarter is at Rs. 74 crore vs Rs. 39 crore, higher by 91% YoY basis.
- EBIDTA Margin is at 12.15% vs 10.83%.
- Net profit for the quarter is at Rs. 39 cr vs Rs.23 crore, higher by 71% YoY basis.
- PAT Margin is at 6.4% vs 6.3%.

The revenue generated from 7 UP Projects put together was Rs.268 crores during Q2FY24. Cumulative revenue till September 30 2023 is Rs. 1183 crore.

The increase in Finance cost from 7 cr in Q1 to 12 cr Q2 is mainly on account of increase in short term borrowings during the quarter.

The increase in depreciation from 9 cr in Q1 to 14 cr in Q2 is on account of significant additions in fixed assets to the extent of 79 crores during the quarter.

During the half year company has incurred capex of 97 crores out of which 51 crores is for precast facilities.

The inventories comprise of 140 cr of construction materials, 83 cr of work in progress and 21 cr of Finished goods.

Increase in other financial assets from 297 cr to 410 cr is mainly attributable to increase in unbilled revenue of current projects and previous year carried forward of unbilled revenue of SDB and Kashi projects amounting to 53 cr and 31 cr respectively, awaiting for their final bill pending certification.

The Current borrowings has increased from 107 crores as on 31st March 23 to 377 crores as on 30th September 2023. This number mainly comprises of short term portion of long term borrowings 58 cr, Fund based WCDL utilisation 210 cr, FD OD utilisation 59 cr and unsecured short term borrowings 50 cr.

The increase in short term borrowings can be attributable to increase in the level of inventories, increase in payment of capex and increased level of other financial assets.

Would like to mention few of the important balance sheet numbers as on 30 September 23.

- Long term borrowing: 81 crores including short term maturities of 58 cr
- Short term borrowing: 319 crores excluding short term maturities of 58 cr
- Gross Block of assets: 513 crores Net block 311 crores, additions during the quarter is Rs 79 crores.
- Net Unbilled Revenue 336 cr
- Retention – non-current 123 cr
- Retention current: 48 cr,
- Mobilisation Advance: 243 cr
- Working capital days are as follows:
 - Debtor days are 69
 - Creditor days are 65
 - Inventory days are 37

- Total net working capital days are 41

During the quarter, the company was in a position to increase the bank credit facilities from 1047 crores to 1497 crores. The fund-based limits are increased from 145 cr to 225 cr and non-fund-based limits are increased from 902 cr to 1272 cr. The consortium member banks have also reduced margins requirements from 25% to 20%.

The utilization of the limits as on September 30th are as follows:

Fund-based utilization 210 cr

Non-fund-based utilisation 725 cr

As on September 30, 2023, the company has total fixed deposits of 281 crores out of which lien free deposits of Rs 45 crores, FDs worth Rs 236 crores are under lien with Banks for credit facilities.

Work on hand as on 30 September 23 is 4898 cr. Detailed bifurcation is available in the uploaded presentation.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, before asking the question, Hetal ma'am, can you repeat the retention money amount?

Hetal Patel: Yes, sure, retention non-current amount is Rs. 123 crores and current portion is Rs. 48 crores.

Shravan Shah: Sir, on guidance front, we were guided Rs. 2,600 crores revenue for this year, so definitely we have done a much better number in this quarter, so is there any chance that we can look at even slightly better number for the second half?

P. S. Patel: Shravan, it still depends upon how the overall execution goes on for the next 6 months, presently we will not be able to comment on that and stick to our original provided guidance.

Shravan Shah: And on the margins front, we normally say 11% to 13%, but now are we getting confidence that 12% - 13% would be a better range?

P. S. Patel: No, still I would like to stick to 11% to 13% because again, I say it depends on QoQ. This year's margin is a little bit better because majority of the UP projects are near to completion,, so some of the revenues which were on hold got converted into bills, so that way you see better margin this quarter..

Shravan Shah: Sir, on the order inflows of Rs. 959 crores as on date plus we are L1 in Rs. 102 odd crores, so total Rs. 1,060 odd crores of order inflow. We have guided on Rs. 3,000 crores of order inflow by the end of financial year, can you share the the bid pipeline and particularly the Ahmedabad and Delhi railway station redevelopment?

P. S. Patel: The bid book is nearly about Rs. 6,500 crores. Out of which, I will mention some of the major projects.

AIIMS at Rewari	1,000
A Museum Project, Madhya Pradesh	1,000
A University Project, Vadodara	775
A University Project, Lucknow	525
Dharoi Dam Pkg-2	421
Commercial Building in Delhi	350
Commercial Building in Delhi for a developer	300
A University Project in Hyderabad	350
An Infra Package in Ahmedabad	300
Museum Project in Ahmedabad	400
An Airport Project at Udaipur	238
An Industrial Project in Gujarat	150
GBRC - Main Building at Gandhinagar	102
Residential Facilities at Gandhinagar	100
Other Projects	500

So the total bid book stands at Rs. 6,500 crores.

Regarding Ahmedabad railway station, the tenders have already been opened and that has gone to be DR Agrawal as they stood the lowest and now we don't have that as a part of our bid book, so we will be bidding for Delhi Railway Station, which I have not covered in this bid book of Rs. 6,500 crores, but we will be bidding for Delhi Railway Station.

- Shravan Shah:** So, this Delhi will be the same Rs. 4,800 crores that we talked about last time?
- P. S. Patel:** Yes.
- Shravan Shah:** So, that bid to be submitted by this month end or December?
- P. S. Patel:** This month end, maybe it gets extended by 10-15 days because of Diwali, but presently it is by month end.
- Shravan Shah:** And regarding UP projects, whatever balance work is remaining is expected to be completed by March 2024?
- P. S. Patel:** Probably, we should be through by March 2024 or maybe extend up by one month to April 2024. Rest of the things should be closed by the month of March.
- Shravan Shah:** And then for SMC, Surat, so how much more in the second half we can look at in terms of the revenue?
- P. S. Patel:** I think it will be in the same line because presently it is going at the structural level only, so it will be in the same line what we have done in this quarter. Once we are out of the basement, then the other activity starts and the revenue rate will go little bit high, but presently it is on the structure side only, so it will be in the same line.
- Shravan Shah:** And any more CAPEX is to be done for this year, sir, because we have already done Rs. 79 odd crores?
- P. S. Patel:** I think there won't be much, but maybe something may be required at the SMC site, but that will not be to a larger extent, maybe Rs. 10-Rs. 12 crores, not more than that.
- Shravan Shah:** And lastly by the end of March 2024, once the UP projects are over how much would the combined debt be reduce to? Long term and short term combined put together debt?
- Hetal Patel:** If you see this Rs. 377 crores comprise our FD OD also, so that is around Rs. 60 crores. So, that is our own money we are borrowing, so that we may get it transferred. So, it will be on the lower side compared to this quarter, once these projects are over and funds are received.

- Shravan Shah:** But it will not be reduced by Rs. 200 odd crores. It will be fixed at Rs. 300 crores only or reduction will happen?
- P. S. Patel:** Yes, I believe you can consider that way.
- Shravan Shah:** So, the finance cost on quarterly basis will remain the same Rs. 1,2 crore run rate will continue?
- Hetal Patel:** More or less, yes Rs. 10 to Rs. 11 crores should be there.
- Moderator:** Thank you. The next question is from the line of Nusan Dhura from Nivesha. Please go ahead.
- Nusan Dhura:** What percentage of order book is fixed price?
- P. S. Patel:** The fixed price contracts was mostly in the UP projects, while the rest of the projects whether it is government or private, most of the private projects are with the escalation of cement and steel and the finishing materials and pass on and for other projects like Surat these are also covered by escalation through RBI index.
- Moderator:** Thank you. The next question is from the line of Nikhil Kanodia from HDFC Securities. Please go ahead.
- Nikhil Kanodia:** Last quarter, you had mentioned that you had taken some approval for the increase in the sanction limit up to 30 billion and you were planning to increase it to get some additional Rs. 5 billion or so, if you can give us the latest status on the sanction and the utilization limits, fund and non-fund based?
- Hetal Patel:** Yes, I have already mentioned in my initial speech, but I will repeat once again, see our overall limit earlier was Rs. 1,047 crores and which is increased by Rs. 50 crores. So, now the credit facility limits are Rs. 1,497 crores, so the bifurcation between fund based and non-fund based is Rs. 225 crores is fund based and Rs. 1,272 is non-fund based.
- Nikhil Kanodia:** And what is the utilization?
- Hetal Patel:** Currently, the utilization is Rs. 210 crores fund-based limit we have utilized, and non-fund based is Rs. 725 crores.

- Nikhil Kanodia:** And sir, what is the bid pipeline you have currently?
- P. S. Patel:** Bid pipeline, I have already said it is about Rs. 6,500 crores plus the Delhi Railway Redevelopment project if you can include which is Rs. 4,800 crore. So, it is near to Rs. 10,000+ crores.
- Moderator:** Thank you. The next question is from the line of Richa from Equitymaster. Please go ahead.
- Richa:** Sir, my question was on the investment in the precast facility, I mean are we done with putting money in that or more expenses are expected? And what kind of revenue potential are we expecting from whatever investment is made in precast
- P. S. Patel:** We have been saying that when we initially made the first precast factory, we said there are a few expansion to be done at the mould level, not at the infrastructure level, which is exactly what we have done in this quarter of amount of Rs. 14-Rs. 15 crores. Rest of the order which is related to bullet train which we have got from L&T which had a huge requirement of moulds, and that is why we had to invest in moulds and not at the factory level. Now, we have also constructed a new shed for infrastructure, so probably we are almost done with whatever we have to invest in precast as of now, there won't be much investment on precast from now on.
- Richa:** And sir, on an absolute basis, I think your other expenses for this quarter have come down significantly, correct me if I am wrong, but do you expect a similar run rate or if there is any special reason?
- Hetal Patel:** No, there is no specific reason. During the quarter, there was some reductions in consultancy expense, etc.
- Richa:** And going forward, they would remain at this run rate or what was normal in the previous preceding quarters?
- Hetal Patel:** It should be in the same run rate. If you see, last year also the other expenses were Rs. 26 crores and half yearly it is Rs. 13 crores. So, it should be in the same range.
- Richa:** And sir, just on a year-on-year basis, promoter stake in the company has come down from 70% to 66%, is the further reduction expected or would you be maintaining the stake that you have?

- P. S. Patel:** No, not as of now.
- Moderator:** Thank you. The next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.
- Vaibhav Shah:** Sir, what was the precast revenue for the second quarter and what is our guidance for FY24 in terms of precast revenue?
- P. S. Patel:** See, last year, I think we did about Rs. 75 or Rs. 80 crores. This year we have investment of about Rs. 25 crores in precast, but as of now it is not clear about what was the revenue exactly from precast because there are some projects which are being booked in the project side. So, now we considered the precast plant as a facility, not as a cost center.
- Vaibhav Shah:** Is it Rs. 225 crores for FY24?
- P. S. Patel:** Yes, totally should be in that range only.
- Vaibhav Shah:** And sir, with respect to UP project, what would be the total receivable as of September and what is the unbilled revenue for the same?
- Hetal Patel:** Around Rs. 100 crores is the unbilled revenue for UP project. See, basically what happened last month billing is normally in the unbilled revenue because once they will certify the bill and then we shall raise the GST invoice, so this belongs to the last month billing and that is normally the outstanding and we have some other outstanding of Rs. 50 crores of the earlier month.
- Vaibhav Shah:** And lastly, how do you see the execution panning out for the SMC project for FY24?
- P. S. Patel:** The SMC project just before while one investor asked the same question, I said that building is under structure stage now. Once we are out of the basement, till March 2024, I don't see any pace to grow from here because there won't be any other activities related to civil work will start, it will be purely on structure side, so it will be in the same pace what we have been doing till now.
- Vaibhav Shah:** So, for FY24, the revenue should be around Rs. 140 - Rs. 150 crores.
- P. S. Patel:** Yes, in totality, you can consider there.

- Moderator:** Thank you. The next question is from the line of Bharani Vijay Kumar from Spark Capital. Please go ahead.
- Bharani Vijay Kumar:** So, the increase in current assets is due to the unbilled revenue from the UP project, right?
- Hetal Patel:** See, I have already mentioned the increase in current asset is mainly due to unbilled revenue and that includes the increase in the execution of current project as well as few of the unbilled revenue of earlier years, which is carried forward. So, that has not been converted to GST bills and that I have already mentioned, it is Surat Diamond Bourse Rs. 53 crores and Kashi project Rs. 31 crores. So, including those amounts there are new unbilled has been generated.
- Bharani Vijay Kumar:** So, including the other two projects and UP projects, it is around Rs. 160-Rs. 170 odd crores increase?
- Hetal Patel:** Yes, there are other routine projects also has increased.
- P. S. Patel:** Major, you can consider just three.
- Bharani Vijay Kumar:** No, my question is, shouldn't we be including this as part of our working capital calculation?
- Hetal Patel:** Yes, you can include. Since it is a part of current asset, so that we can see, you need to say you want to include in our receivables and all because see that is not preferable because still, we haven't raised the bill, those bills are under certification.
- Bharani Vijay Kumar:** Right, but if I see your cash flow from operations, it is negative, so which is why I am saying if this is going to be recurring number?
- Hetal Patel:** And that it is already included. In cash flow, it is already included. If you see other assets movement that is other current asset movement only.
- Bharani Vijay Kumar:** So, what I am trying to tell is if this is going to be recurring kind of number in the future also, shouldn't we be including this as part of our working capital calculation?
- Hetal Patel:** Yes, you can say. Whatever shortfall is there, if increase is there that much working capital, we will be requiring from the borrowing.

P. S. Patel: That is only because of these two projects we are getting delayed because of finalization. Otherwise, generally, the bills do not get delayed to such an extent. Both the cases were a little bit difficult in terms of getting some escalation part also after Corona for Surat and some pending issues of lump sum contract at Kashi which needs to be discussed at the top level. So, that has prolonged the finalization of the bill. Otherwise, in general, whatever unbilled revenue we are considering, that is not something which carries on for 6 to 8 months.

Bharani Vijay Kumar: So, we are expecting this to be collected by when?

P. S. Patel: Probably, I think we are expecting anytime. This was not the quarter i was thinking to go beyond. And maybe by next quarter, it should get concluded.

Bharani Vijay Kumar: And then your short-term borrowing will also come down from the Rs. 377 crores level to what level in your view by end of this year?

P. S. Patel: Maybe there can be a decrease of Rs. 50-100 crores after getting all the unbilled revenue into the cash flow.

Hetal Patel: Yes, if you see our even fund-based facilities have also increased from Rs. 145 crores to Rs. 225 crores. So, now on an average, we will be utilizing around Rs. 200 crores of our working capital facility.

Bharani Vijay Kumar: Final question on CAPEX. So, full year CAPEX, how much will it be, sir?

P. S. Patel: As of now, we always give the guidance and we stick to that and it is always coming on that average if we consider 3% to 4%, it should be near to Rs. 100 crores but as we have already reached to Rs. 90 crores because of more CAPEX at the precast side. So, probably not more than Rs. 10 to Rs. 15 crores as I have already answered to some other investor. So, it should be in that range only, 3% to 4%.

Moderator: Thank you. The next question is from the line of Ash Shah from Elara. Please go ahead.

Ash Shah: So, I just have one question. How much have we invested in the precast facility till date and cumulatively? And also, I think we were going to invest in three phases, and we have just operated phase one till the last quarter. So, now is it safe to assume that all three phases have been commissioned?

Hetal Patel: Earlier, we had invested in Rs. 110 crores in the first phase and now it is Rs. 51 crores. So, it's around Rs. 160 crores – Rs. 165 crores investment in precast. And some assets we may need to buy further going forward.

Ash Shah: So, can we say that the facility's production capacity has increased from 1 million square feet to 3 million square feet?

P. S. Patel: Yes, to an extent you can consider because previously the moulds required for beam, column and slab were not to that large extent, because we just kept the space for getting those moulds with the later stage, out of which we have almost touched more than 75% of the requirement. Probably, presently we are having a requirement more on the factory segment and the warehousing facilities. So, it is not possible to convert it into square feet output of the precast plant, but it is majorly on the quantity of work we do every day in terms of cubic meter of concrete now. When we go into purely into buildings, when you construct a totally residential building or a commercial building, then you can say it has increased from 1 million to 3 million.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, so broadly now as you previously also answered, so structurally now, it is safe to assume that our gross debt including working capital and long term will remain more than Rs. 300 crores odd. So, that is one and second in terms of the working capital, so one is the cash conversion days that is inventory debtor payable and the other. So, how do we see? Though the cash conversion days are maintained at 42, 43 days, but if we look at the other also, is there a possibility of further increase in debt?

P. S. Patel: Last quarter also, we discussed this point, and I was expecting that they should come near to 30-35 days. Still, I am expecting those levels because as I said, lastly because UP is at the stage of completion and once we get into the completion stage, I think most of the due payment will be converted into payment. So, that we should be in position to get a better than less than 40 days in the near future and that's what I'm expecting. It should not go beyond from here.

Shravan Shah: Sir, secondly, I am saying that in terms of sustainable revenue growth for FY25-26 onwards, 20%-25%, if we are targeting that, for that we need a sizable order inflow, so definitely Rs. 3,000 crores, then maybe we need to increase to Rs. 4,000 odd crores. So, are we confident that we can do it? Because currently, the opportunities are there

in Gujarat, we are sizably present in Gujarat and by March UP projects will be over, our order book of more than 90% would be from Gujarat. So, how we are trying to diversify, de-risk ourselves so that at least we should be able to consistently get the order inflow? Hopefully, if we get the Delhi station development then everything is sorted. So, that's the thing I want to understand.

P. S. Patel: See, what the order book I have already said is that Rs. 6,500 crores without Delhi project. There also if you can find, there are few projects which is to a scale of Rs. 1000 crores. So, Rewari AIIMS Hospital is Rs. 1000 crores, Museum project for Madhya Pradesh is Rs. 1000 crores, one University Project in Vadodara is Rs. 775 crores. So, there are few opportunities which we are expecting. And the bids which we have already submitted, we are expecting some of the bids to get converted to order. So, still I am confident we should be in position to reach to Rs. 3,000 crores. So, every year when we are envisaging revenue growth of 15% to 20%, the same way we keep our order inflow growth projection of up to 20%-25% plus, I think with that we should be able to maintain our revenue versus order inflow.

Shravan Shah: So, how much value of bids that we have submitted and where still the outcome is yet to come?

P. S. Patel: I think it is more than Rs. 2500 crores.

Shravan Shah: More than Rs. 2,500 crores bid we have submitted. So, these are the 4-5 projects?

P. S. Patel: Yes.

Moderator: Thank you. The next question is from the line of Nusan Dhura from Nivesha. Please go ahead.

Nusan Duhra: Just wanted to know that what is the success rate of orders for the company?

P. S. Patel: 15% to 20% if you say Rs. 6,500 crores are our present order bid book, we can expect Rs. 1,200 crores to be converted into orders.

Moderator: Thank you. The next question is from the line of Devang Patel from Sameeksha Capital. Please go ahead.

Devang Patel: Hi sir, earlier in the presentation we were giving the total cash and bank balance including FDs for year end, can you have a figure for the half year?

- Hetal Patel:** In the presentation, we are just showing this itself, so you need the numbers?
- Devang Patel:** Yes, the cash you mentioned is Rs. 281 crores. What is the total cash including FD?
- Hetal Patel:** Yes. That is as per the cash and cash equivalent what we are showing. So, out of that, it's hardly Rs. 2 crores to Rs. 3 crores because normally we don't keep cash in our current accounts and all. So, we put it in the FD OD utilization. So, including cash, it will be around Rs. 285 crores.
- Devang Patel:** Secondly, if I look at the cash flow statement, the cash flow is negative one. You mentioned the unbilled revenues. Also in the other liabilities items, what was Rs. +32 crores is Rs. -87 crores for this. So, on the liability side something reduced for us, mobilization advance or something?
- Hetal Patel:** Yes, see mobilization advance, there is not much reduction. But the unearned revenue, which was last year, I mean, I think on 31st March it was around Rs. 60 crores and which is reduced to Rs. 20 crores. So, around Rs. 30 crores reduction is there in unearned revenue. This amount due to customer.
- Devang Patel:** For the half year, there is a reduction of Rs. 88 crores,?
- Hetal Patel:** Yes, right.
- Devang Patel:** Moving on, sir, what's your thought process on the bidding strategy? It is going to be an election year next year. Do you foresee a situation where we would want to have a healthy order book pipeline before the election? And have you kept some leeway for the last station redevelopment project?
- P. S. Patel:** See, I think the order from the bid pipeline what we are having today, Rs. 6,500 crores plus Rs. 4,800 crores of Delhi, which is almost Rs.10,000 crore. On an average, we have been seeing that it is always more than Rs. 6,000 crores at any given point in time. So, we don't see any slowdown of bids coming from the government side or private side because of the election. Even if at the time of election, there will be a disturbance of 1-1.5 months. So, before that whatever bids which we are having and which we are expecting, maybe it will be that we get converted into our projection of Rs. 3,000 crores. So, I think we don't have to worry about what will happen to election and how the bids would get slow.

- Devang Patel:** Sir, and the Delhi project size is bigger than the Ahmedabad project and last call you had mentioned you will be partnering with someone. Is it going to be the same partnership for this project as well?
- P. S. Patel:** So, you mean to say Ahmedabad Railway Station?
- Devang Patel:** Yes.
- P. S. Patel:** I already said that Ahmedabad Railway Station tender is open, and it has gone to DRA. We stood, I think, 3rd or 4th among 6. So, now it is not a part of our bid pipeline.
- Devang Patel:** Our maximum bid capability is Rs. 2,500 crores. And the Delhi project is even higher.
- P. S. Patel:** That remains as Rs. 2,500 crores plus.
- Devang Patel:** For the Delhi project, are we bidding on our own as a standalone?
- P. S. Patel:** No, it must be a JV because again, there is the requirement of the project to have an experience of bridge, which we don't have. So, we need a bridge partner.
- Moderator:** The next question is from the line of Piyush, an individual investor. Please go ahead.
- Piyush:** Sir, I have one question regarding the UP projects, I believe they are almost on the verge of finishing. And the remaining projects in our current order book are from the state of Gujarat only. So, is there any plan from the management side that you want to diversify from Gujarat to other states or something like I heard a Delhi project also on this call. What is the thought process on this?
- P. S. Patel:** No, nothing like that. As I have already said in my bid book also, there is AIIMS project of Rs. 1,000 crores at Rewari. There is a museum project in Hyderabad. There are two developing projects, the commercial building in Delhi. So, it is not like that, but it's a matter of coincidence that the UP project, most of the projects are getting completed. But still, we are bidding at whatever opportunities we are getting in the states of Delhi and UP. One more project of university project in Lucknow is also in UP.
- Piyush:** AIIMS project, at which city you said?

- P. S. Patel:** Rewari, Haryana.
- Piyush:** So, any new project we are targeting here on the pipeline in UP?
- P. S. Patel:** Yes, there is one project in UP that is Rs. 525 crores, it's a university project in Lucknow.
- Piyush:** Secondly, some other participant also asked if the cash flow from operations was negative for half year. So, can we expect this will be reversed something in full year FY24 number because this half year it is around Rs. 200 odd crores minus something.
- Hetal Patel:** Yes, if you see, the utilization of working capital will reduce accordingly, it will get improved by end of this current financial year.
- Piyush:** But whatever the unbilled revenue, which is there in the September, which will also be billed in the next half year, correct?
- Hetal Patel:** Yes. so, earlier year one should be over by next quarter.
- Piyush:** And how much is the revenue potential is from precast facility at the optimum utilization?
- P. S. Patel:** Whatever order presently we are having, we are expecting more than Rs.200 crore to Rs.225 crore.
- Piyush:** Last year, we didn't achieve whatever number you have given the guidance which is around Rs. 2,100 crores to Rs. 2,200 crores and you said in the last previous calls also that this year we will compensate and do this So, what can be the guidance for the next half year? This year what number we will close?
- P. S. Patel:** We have already declared about Rs. 2,600 crores for the total revenue for the whole year.
- Piyush:** We are on track now?
- P. S. Patel:** Yes, we are already on track. If you compare it with QoQ and YoY, first two quarters are little bit less than the last two quarters. So, if you compare both the quarters, both the after-year quarters, you will get the idea that most of the revenue in construction side converted, going with the full force at the execution side.

- Piyush:** H2 is always heavy on the revenue side.
- P. S. Patel:** Yes, H2 is very heavy all the time for all the companies.
- Piyush:** And sir last question. On order book traction, the current year we've got some Rs. 900+ crore orders. Is this number on the lower side as compared to last year because I don't know exactly the number, how much we got in the last half year?
- P. S. Patel:** See, it is not something which is consistent throughout the year. So, presently we are at the same stage, but last year first quarter only we had got an order of Surat SMC, that was Rs. 1,350 crores. So, it depends on the bidding process, and it depends on what type of orders are coming in each quarter. So, at the end of the year, we are still expecting, and we will still stick to that order inflow of Rs. 3,000 crores, which I already said that the order book of the bid pipeline which we have is about Rs. 6,000 crores. We are expecting more than Rs. 1,000 crores to be converted by December.
- Piyush:** Okay, so what I understood from you, you are saying full year you will get an order inflow of Rs. 3,000 crores, correct?
- P. S. Patel:** That's what we are envisaging.
- Piyush:** And you have received Rs. 900 crores or Rs. 1000 crores in H1. So, the H2 you are saying Rs. 900 crores – Rs. 1000 crores will be expecting?
- P. S. Patel:** We are expecting, yes, you are right.
- Piyush:** And sir, so this last point, so what will be our closing order book in FY24? It will be around Rs. 5,500 crores to Rs. 6,000 crores type number?
- P. S. Patel:** Yes, if you can, the total things minus Rs. 2,600 crores, it will be in the range of Rs. 5,500 crores to Rs. 6,000 crores.
- Piyush:** Perfectly sir. And the margin we expected around we need to maintain 12% that is the guidance we have given earlier also.
- P. S. Patel:** I always say it's between 11%-13%.
- Moderator:** Thank you. The next question is from the line of Richa from Equitymaster. Please go ahead.

Richa: So, my question is again on precast, like we have incurred certain expenses on moulds for the rail project as you suggested. I just wanted to understand what is the fungibility of these kinds of moulds and considering that these are for the rail project, is there a possibility that they would be well utilized once this specific project is over or do you expect similar kind of orders to come in and this capacity to utilize?

P. S. Patel: The materials which we are making for bullet train, it is not something which cannot be utilized for road infrastructure. These are the ducts which are presently used as conveyance for data duct and electrical ducts for bullet trains. The same sizes of ducts can be utilized for drains and storm water drains and drainage line also. So, it is something which can in future also be utilized for road infrastructure also.

Richa: And could you also talk about the discipline when it comes to bidding because like you said that we were not the L1 bidders, and perhaps we rank 4th or 5th. So, do you see this competition intensifying where margins are being kind of sacrificed and we would still stick to something where we can maintain 11% to 13% margin, if you could talk about the competition in the industry?

P. S. Patel: Competition is there. People are a little bit aggressive at some of the projects, but we in general, we will stick to our margins, and we will try to maintain our order inflow because we would not like to enter into that rush of market where people are much aggressive. So, I think we will still try to maintain our margins and try to remain in that zone. Maybe the sizes of the project can be in the range of Rs. 150 crores to Rs. 200 crores. We have that capacity to handle 50 projects at a time. So, no need that we should get aggressive on larger projects just because of this competition.

Richa: Yes, I just wanted to understand your thought process only. And sir, is there any kind of sense of visibility on when this matter, which is under litigation, can be finalized?

P. S. Patel: Arbitration process as per the government norms now decided, once the case starts, it has to be completed within 12 months. So, probably both the arbitrations are not so much complicated. So, I would see that both the arbitrations should close within one year. And that's what the guideline and the government rules have now decided that no arbitration should be extended beyond one year. So, let us expect it gets converted into finalization by one year.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Ashish Shah. Over to you, sir.



*PSP Projects Limited
November 02, 2023*

Ashish Shah: On behalf of JM Financial Institutional Securities, I thank you all the participants for attending the call and thank you to the management for letting us host the call. So, over to you, sir, for any closing remarks. Thank you.

P. S. Patel: On behalf of the management of PSP Projects, thank you for joining us on our earnings call today. Wishing everyone a Happy Diwali and Saal Mubarak in advance.

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 relation advisor – Ernst & Young and they will connect with you offline. Thank you, Mr. Ashish Shah, for hosting our call.

Thank you, God Bless.

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