



“PSP Projects Limited
Investor & Analyst Conference Call”
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**MANAGEMENT: MR. P. S. PATEL – CHAIRMAN, MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER
MS. HETAL PATEL – CHIEF FINANCIAL OFFICER**

MODERATOR: MS. KRISHNA PATEL – EY

Moderator:

Ladies and gentlemen, good day and welcome to PSP Projects Limited Investor and Analyst Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star then zero on your touch-tone phone. Please note, this conference is being recorded.

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

Krishna Patel:

Thank you, Steve. Good morning everyone and a warm welcome to discuss on yesterday's corporate announcement of the share purchase agreement. Today from the management we have with us Mr. Prahaladbhai Patel, CMD & CEO, Ms. Hetal Patel, CFO. Please note that today's entire discussion will be covered by the cautionary statement. Anything said on this call which reflects the 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.

I shall now hand over the call to Mr. Prahaladbhai Patel for the initial remark, post which we shall open the floor for Q&A. In the interest of all, we humbly request all the investors and analysts to ask a maximum of two questions in order to provide a fair chance to all the participants in the call today. Thank you and over to you.

P.S Patel:

Thank you, Krishna. On behalf of the management and my team, I would like to thank you all for joining us today at a short notice. I warmly welcome you all for the conference call to discuss the share purchase agreement as we announced to the stock exchange yesterday.

Since yesterday there has been a certain rumour taking round in the market and post the declaration, I found it prudent to address all the investors over a conference call and provide clarity on the transaction.

Over the past 15 years, PSP Projects has worked relentlessly, delivered reasonable growth and operational success. The firm has been able to make its mark in the sector as a credible contractor whose utmost focus is on delivering quality projects adhering to timelines. The company has navigated through various business cycles, adapted to changing markets and consistently delivered operating and financial performance over the years. We reached a stage of being the top 5 listed contractors in India.

With an objective to attain next leap of growth, your company has entered into a share purchase agreement with Adani group. This decision has been taken after careful consideration and after evaluating the opportunities it presents. As per the arrangement, Adani Infra to acquire up to 30.07% stake from the founder promoter. Post the open offer for 26%; both the companies will maintain equal equity of the company. Adani Infra (India) Limited is the PMC arm of Adani Portfolio, which is owned 100% by the Adani Family. Adani Infra will get equal rights and representation on the board. The business operations, execution, the management team, etc. at PSP Projects will continue to function as before. PSP Projects will continue to focus on public as well as private projects across the buildings space.

With this partnership, we foresee larger visibility of our company. Currently we are at an order book of INR 6,546 Crore; we expect a multifold increase in the construction order book going forward as Adani portfolio of companies are engaged in infrastructure development across ports, airports, data centers, realty, etc. Adani Portfolio of Companies is looking to invest USD 100bn as capex over the course of next decade.

Please note the transaction remains subject to customary approvals and regulatory approvals including completion of an open offer.

To summarize, we strongly believe this partnership will benefit the company and provide long-term growth opportunity. We are positive on the future of the company. We intend to work with complete dedication towards execution of our projects and build more capacity. This strategic decision represents a giant leap forward in our pursuit of growth and increased shareholder value.

With this, I shall propose to handover the call to the moderator to open the floor for question and answer. Thank you.

Moderator: Thank you very much. The first question is from the line of Parikshit Kandpal from HDFC security. Please go ahead.

Parikshit Kandpal: Yes, hi Prahaladbhai, congratulations on the deal. So, my first question is if this deal had not happened, if it was status quo, so and now it has happened, so how will it change in terms of ordering? So, what is the order right now from Adani?

And since you have got into the deal, and given them stakes, so what kind of visibility you have over the next two, three years from incremental ordering coming in from the Adani group? And will it be only building segment? Are you also looking for some other segments?

Because you mentioned in the press release about \$100 billion Capex from the group companies. So is it largely going to be a building segment only or you will diversify into some other segments?

P.S Patel: See, as far as partnership is concerned, the whole intent is to have a partnership with our firm for buildings. Adani group has presence across Mumbai, Ahmedabad, Delhi. So, in all these three centres, we have to select, go partially and strengthen ourselves. Second part is the airport, that is also part of the building.

Third part is data centre, that is also part of the building. And there are few industrial projects which are in Kandla. See, now the companies are focussing more on technology and that's the reason that this agreement has been done with PSP.

To be very frank, they trust us in terms of putting up more and more technology in the company. The Precast Plant which we have been running last 3 years, that has been the better example for

them to understand how can we be a good partner for future. So they are already installing three Precast Plants, one in Mundra, one in Mumbai, and one, we are already having under.

Parikshit Kandpal:

I can't hear you, sir. My voice is very, so operator, the voice is not clear. There's a lot of disturbance coming in. Hello? There's a lot of disturbance. If you can come closer to the mic, because there's some hissing sound, some whistling sound is coming continuously on the call. So if you can come closer to the mic, it will be helpful. Yes. Please proceed.

P.S Patel:

So my point is that they are having plenty of verticals viz airport, building, reality, etc. So as far as the order book is concerned, it's a process wherein they are going one project to the other. So presently there are Trivendrum airport tenders are open, Ahmedabad airport tender is open.

Then at the Mumbai airport, the development outside the airport, that footpath area is being taken, I think we already did it for that. We have already had two meetings related to Dharavi development. For this project, they are going in a way that first they will start the construction of the major EWS where they can shift the Dharavi people.

So, there are two or three locations which we will start to begin with. I personally feel that it is not about the order book which we are going to gain from Adani group, it is more about how we ourselves can strengthen ourself to get more and more work orders from the group.

Parikshit Kandpal:

But anything on the guidance side now, because you have visibility with this deal coming in, do you think there is substantial scope for you to increase your guidance on order inflows and growth? I mean, qualitatively, over the next 2-3 years, do you think now the company is shifting its orbit of growth, given that now this strategic partnership is in place?

P. S. Patel:

Parikshit, if you see the figures, these figures are something which we can't even put in numbers. This is the thing which we have to do in the next five years. The first and the foremost thing we have already said you, we are already bidding for about INR1,000 crores projects, INR1,000 crores projects at the Ahmedabad airport, INR1,000 plus crores at Mumbai Airport, and already INR500 crores projects in Kandla.

So, putting all these present tenders, I'm saying, forget Dharavi and the data centres which tenders are yet to come or the design stage, so probably, order book is what I'm saying is we have to think about ourselves and how we would like to move from here. So, that won't be an issue. This partnership is basically done on that basis only, that we can move little faster and we can move on in EPC Contracts.

Previously they were focusing more on only core & shell to Civil Contractor and later on moving towards MEPs and other works. Now they are thinking that the whole project should go as a turnkey project to PSP. This is a total different thought process from the company side. They are facing the pressure to complete the projects on time. There are company like us whom they trust in terms of capabilities and also as far as delivery of the project is concerned. That's how this whole transaction was done.

- Parikshit Kandpal:** Okay. Just the last question, sir. Now between you and ITD, how will this thing be split, because both have the building division? And also every time you will have to come for related party approvals for orders from Adani?
- P. S. Patel:** See, there are 2 things to understand. I'm not sure about ITD's formal agreement with them. But what I understand, the ITD is more into the infrastructure of marine structures. So maybe they will be utilizing more of ITD towards that side. And as far as building is concerned, as I said, there is a sufficient appetite for who has the capability, bandwidth to deliver them on time. So it is not at all about who will do the rest of the thing. It is more about how can we speed up our work and take more and more projects.
- Parikshit Kandpal:** And related party approvals, I mean, you'll have to take approvals as you get orders. Every time you'll have to take approvals from the minority shareholders.
- P. S. Patel:** Like related party?
- Parikshit Kandpal:** Like if you take orders from Adani Group, which could be significant because it's a promoter entity now and related party. So you will have to take approvals from the shareholders for taking those orders.
- Management:** Yes. So if at all it is required in the future, if the transaction value is more than the threshold which I will be giving year-on-year, we'll be going ahead with this. As of now, there's no need to take this.
- Moderator:** The next question is from the line of Vijay Bharani from Avendus Spark.
- Vijay Bharani:** My first question is on the mechanics, how the partnership will work for future order inflow from Adani though you explained. I just want a little more color on the projects that will come from Adani Group, will it come directly as a nominated project without any competitive bidding or tendering?
- P. S. Patel:** The projects where tendering is required, the group shall invite tenders from competition and compare basis the costing. The group and us have agreed That there will be profit over and above the cost as per our current practice.
- What you were saying is that every project will be negotiated and given to us like they say, we will always go for a fair competition to get the rate on the market depending on the type of the project. But at the end of the formula on which we have actually, basically it should be cost plus formula.
- And based on those formulas, we will work out the cost and we will go ahead with the project. So basically, what will happen that it in every project where the tender process was going for two and three months, that we can be reduced to maximum by within one month.

Vijay Bharani: Again, I'm not very sure I heard it properly. But if I were to summarize, you are saying there will be a certain fixed margins that will be afforded through the projects that will come from Adani. Is that the right understanding?

P. S. Patel: At the company level, we would like to maintain our EBITDA till now whatever we have achieved till now. And then, by formula, we'll be working on the same kind of calculation. So more or less, the company's EBITDA is not going to change as far as that group entering into our project. Because they are also equal partners. So the EBITDA margins we will try to maintain the same.

Vijay Bharani: Okay. But how will the projects come to us from Adani? It will be a nominated project, like it will be direct without any competition?

P. S. Patel: In cases where there is no requirement from their side to have a tender; they can come directly to us also.

Vijay Bharani: Okay. My final question is basically regarding the fact that shouldn't this arrangement be done just as a JV or a partnership with the Adani Group just to take the projects instead of giving them ownership stake because you have created a good company for the investors. You could have done it on your own in the next 5-10 years also without this share sale to Adani. Like, could there have been just an operational strategic alliance with Adani for just work orders? What is the rationale behind providing Adani the ownership?

P. S. Patel: See, there are 2 things to understand. Anywhere if you see the construction business and its cost and its operation and its profitability is a complex formula. To trust someone directly and to trust through books is a totally different thing. So when we talk about partnership with any firm, we will always feel like they're comfortable also by giving you an order or by giving you a portion of their building.

So it's not about that they can trust me directly because I'm a Patel or I'm from Gujarat and give me the order on X formula or Y formula. If they themselves are partner, they can understand the book very properly and any problem in the books that they can see at any point of time that's the whole reason to enter into this transaction.

Moderator: The next question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: In terms of the first question, when you were answering if you can repeat the orders, you said, INR1,000 crores each for Ahmedabad, Mumbai Airport and some other orders. Will these projects translate into our order book in the next 3 months?

P. S. Patel: Each and every project is now at the tender stage. Some of the projects in Ahmedabad which are in the range of about 20 lakhs square feet, are being converted to precast. They are trying to convert the projects into precast to reduce the timeline through precast.

And as far as the airport is concerned, the tenders are through and we are in the process of bidding. They have asked for 2 or 3 competitive biddings and tenders have been invited for Jaipur, Trivendrum, Ahmedabad, Mumbai airports.

As far as Mumbai is concerned I anticipate Dharavi projects to materialize. We have already had 1 or 2 detailed meetings. The first building which is going to be RNA area which is an empty area, near to Dharavi, where these building are to be done.

Shravan Shah: Sir just still trying to further deep down, trying to get the numbers, I'm not still able to get the numbers.

P.S Patel: I'm just saying how many projects can possibly come within the next 3, 4 months and have mentioned the projects that we have either bided for or are under discussion. Why do you want each and every project number?

Shravan Shah: Okay. Got it. Second thing is, sir, will they further also increase the stake are we also planning to sell further more stake apart from this 30% stake?

P.S Patel: The agreement is done with wherein the promoter holding will remain 50-50. None of the entities can increase holding without permission of either.

Shravan Shah: Okay. Got it. And other question is in terms of at your level. So as you said, you are having this business only and will like to continue. So what will be the use of the proceeds of INR685 crores that you will be getting?

P.S Patel: For my personal money you're asking?

Shravan Shah: Yes, sir.

P.S Patel: Why are you asking about that money today. Even i'm not sure what I'll be doing of that money.

Shravan Shah: Okay. Got it. And then just last, I think, sir, recently, the QIP, we have done at INR670-odd in April, and now this deal is INR575. So anything you want to comment on that?

P.S Patel: It was the situation where the company is getting a benefit for the longer period. And we found that this is a better win-win situation for futuristic orders and futuristic business. And joining hands with such a large entity who is having large work for the next 10 years, if we can perform in a better way. I think we are at the right place.

Moderator: The next question is from the line of Vishal Periwal from Antique Stock Broking.

Vishal Periwal: A couple of clarifications. Your initial commentary mentioned like the both entities will have an equal equity in the company. But I think right now, it is 30-30. But after the open offer, Adani will have something, a buyback or probably like what they will do. So equity, eventually, it will change?

- P.S Patel:** The share purchase agreement executed was 50-50. If in the open offer they are getting 5% from the market, totalling to 65%, so then it will be distributed 32.5:32.5. In that case, I will be selling only 27.5% stake. So, it is more on how it happens during the closure of the open offer.
- Vishal Periwal:** Okay. And this you see, it is there for the next 10 years? I mean, whatever happened in the open offer?
- P.S Patel:** Yes, yes, yes.
- Vishal Periwal:** Okay. Got it. And again, you did clarify like no one can sell, exit without the confirmation from both the parties?
- P.S Patel:** Right.
- Vishal Periwal:** Got it. And sir, you did mention on the formula for the cost plus. So what is the percentage, the plus percentage, what exactly is this?
- P.S Patel:** That will be worked out based on the type of the project because each project has a different level of calculation as far as investment, as far as the model of shuttering investment and the model of technology, which is, if we are using Precast, it will be different. So basically, it will be cost plus profit margin and the exact cost and the third-party exact overhead which are required for that cost. So, as to maintain the company EBITDA level as per the guidance which we have been giving till today.
- Vishal Periwal:** Okay. Got it. Maybe last thing from my side. So, Adani Infra India, which has acquired this. So are we already doing EPC work, this entity? Will you have any understanding?
- P.S Patel:** No, we are not doing any such thing. Adani Infra is majorly presently into different types of infra projects. They're into road, sewage treatment plant, in Namami Gange cleaning part. But as far as our partnership is concerned we will be working with Adani Realty, Adani Airports, Adani Industries which is at Kandla, etc.
- Vishal Periwal:** Right. The reason why I'm asking is because eventually, Adani Group has constructed a lot of infra work in India. So, there is already an entity which is doing it, which could be 100% owned entity. But why they will route it through PSP where eventually, they have to share the profit with third person. I mean, like they can do it through an entity with 100% already owned by them. So I mean probably whether the order inflow will come to PSP or, that's probably I just want to check?
- P.S Patel:** Actually, if you can go back to the understanding Adani infrastructure profile. They are into PMC management of road infrastructure and sewage infrastructure. They get the orders from the government side or the private sector and subsequently they give the order to a large contracting firm. So, it is not that the company is personally doing any business directly. So here there is a point of that we as a contracting firm are purely into making building infrastructure. So that's

the reason that is not their expertise. So they require a partner who can deliver the project as per their needs and as per their timeline. And that's how Adani Infra is interested in investing in PSP.

Moderator: The next question is from the line of Prem from Anand Rathi Shares and Stock Brokers.

Prem: So I have basically two questions. So one was as there will be a change in the Board structure as they are taking up much stake, they would nominate some Directors. I understand the Board part clearly.

But would they nominate any people from their side who are also going to, I mean, engage in the day-to-day operations? I mean all this while you along with the existing team was managing an entire show. So would they nominate any members who would come and join the management and participate in the active decision making on the day-to-day operations? Or it would still stay with you the decision making still stay?

P.S Patel: You have gone through our yesterday's press release. We have clearly mentioned that the operational part 100% remains with PS Patel, being Managing Director, Chairman and CEO till today. As far as the management is concerned, they will have a Board access and there will be we have to represent the Board. There will be two members who will be coming whenever there is a Board meeting and I have to represent anything we have to represent there. Otherwise, as far as the company's running is concerned, it works exactly the same way it was working until now.

Prem Khurana: Sure, sir. And just a second question. I mean, I understand this is a hypothetical situation. So, let's say, I mean, we generally target, this year we're targeting, let's say, INR3,000 crores, INR3,500 crores sort of order inflow. Let's say, next year we would target INR5,000-odd crores and you have equal amount of opportunities available outside Adani portfolio as well. I mean, how would you prioritize which work do you intend to take?

Would you still have an option to go and refuse Adani's work and then do third party work? Hypothetically speaking, let's say if the margins happen to be higher there?

P.S Patel: Yes. See, I would put it this way. Presently, there is nothing binding PSP Projects from not taking or working for projects outside of Adani Group. We have clearly mentioned that we should remain in the market and execute a combination of projects. As far as government large projects are concerned or wherever there is a large opportunity, we will go for a competitive bid and if we get those opportunities we will absolutely go for projects which are to that scale, but as far as this group is concerned, where we have assured business and assured profitability with less competition that piece will also be a priority.

So it depends on the type of the project and whenever it is, but as such it's not binding and are not confined to Adani. We have the large potential at Adani. So we will be focussing more on Adani, but opportunities which are also large and the competition is niche, we will always bid for those kind of project.

- Prem Khurana:** Sure. No, sir, it was not about whether it's a binding arrangement. We understand in this business generally tend to have capacity constraints, I mean, suddenly that won't go to INR10,000 crores, right?
- P.S Patel:** Presently Adani is having INR10,000 crores work orders in market. I am not able to give you all the types of projects. So we have to also think as and when we grow and we increase our bandwidth in terms of trying to do the projects on time. This will go sequentially. So maybe first level we will go for slowly getting their projects. And once we are through/out of some of the projects getting completed of the existing order book, we can have larger projects for the group also. So, it's business call which I have to take as and when my bandwidth is there.
- Prem Khurana:** Okay. And just one small clarification. So when I was reading this press release that you've given out. I thought the lock-in is for 5 years and I'm not sure if I heard you correct or not I heard 10 years on the call?
- P.S Patel:** No, lock in is absolutely for 5 years, until 5 years But the shareholding agreement is done for 10 years, wherein me and my family can continue till then.
- Prem Khurana:** Sure sir. That clarifies. Thank you and all the very best.
- Moderator:** Thank you. The next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.
- Vaibhav Shah:** Thanks for the opportunity and given this partnership has shaped up, so will you be revising our order inflow guidance for FY '25 and what could be our guidance for FY '26 as well on order inflows?
- P.S Patel:** Yes. Again, I would say the present our guideline still remains at INR3,500 to INR4,000, but that depends on the next 2 months to 3 months how we are working, because there are several projects, which we are discussing from last 1.5 months that is at Shantigram, Ahmedabad airport, Delhi airport, but after getting this clarity as a group from yesterday that how we are joining hands there will be different scenario from tomorrow. So, let us hope that we at least reach to our order inflow guidance of INR4,000 in FY25, the number that we had envisaged for this year. And also because that's the bandwidth which we have today.
- Vaibhav Shah:** Okay. And sir, secondly, last time you had mentioned the pipeline was around INR7,000 crores. So what would it stand right now?
- P.S Patel:** I think it is still in the same range. So probably those bids are also in process.
- Vaibhav Shah:** Okay. And sir lastly, how are you working on increasing the bandwidth? So what kind of say order book or say, annual revenue, can we reach at peak with the current bandwidth?

P.S Patel: See presently what is happening the whole idea of joining the hands with Adani Group was literally because of technology and the way we have grown in the last 3 years. So we are trying to adopt more and more technology I mean to say Precast technology.

So probably it will be win-win situation that we can add on INR1,000 crores particularly for the Precast plant separately and then give the INR3,000 crores to INR4,000 crores, it is project in casting Situ because of the type of the project... So we are presently exploring two to three buildings in Precast which are already designed for Casting Situ. So that I can get assured once I get through with projects going on fast track on Precast then I will be able to answer your questions properly after 3 months to 4 months once we are through execution in Precast also.

Vaibhav Shah: Thank you sir. Those are my questions.

Moderator: Thank you. The next question is from the line of Ashish Shah from HDFC Asset Managers. Please go ahead.

Ashish Shah: Thank you for the opportunity. Sir a couple of questions again on the structure. -- just for the clarity, when we say the lock-in for 5 years, in this 5-year period there is no option also that the remaining stake can be acquired by Adani? I mean, you -- this shareholding in that sense will remain frozen. And only after 5 years, the question of right of first refusal, et cetera, arises if anybody wants to sell. Is that understanding correct, sir?

P.S Patel: Yes.

Ashish Shah: Okay. Second, sir, I mean in a case where, let's say, there is an infusion of capital required from the promoters let's say, if Adani want to infuse x amount of capital, does it mean that you will also have to match the remaining stake, match the similar amount to maintain equal stake or in that case you may get diluted?

P.S Patel: There also, we have agreed upon going for debt as a priority and then it will be equity part. When it comes to equity part at that stage it can be decided how it should be worked out. , but the priority will be debt first because company have balance sheet well to have more debt. So, first is debt and then is equity, but that is something which can be mutually decided at that time.

Ashish Shah: Okay. So this current understanding is more from selling of the existing shares for any primary infusion from the promoters, that's something that will work out as and when the situation arises?

P.S Patel: I think I can't get your question. What was it?

Ashish Shah: No, sir what I'm trying to say is that the current understanding on having equal shareholding is for the current shareholding that we have, but for any primary infusion of capital, let's say, Adani want it to into INR1,000 crores. I'm just hypothetically giving the numbers. If they want to infuse x amount of capital into the company for whatever reason, then at that time, you will have to probably come to a decision on how to manage your stakes because that always cannot be

maintain in equal proportion because you may not be able to maybe get the same amount of capital that they may want to infuse?

P.S Patel: But there I said that the first priority as per the agreement is debt and if the debt is not permissible by our balance sheet, then the same will be discussed.

Ashish Shah: Fair enough. I got your point. Just lastly, I couldn't hear clearly on that 10-year part. The 5-year part is clear. You said something about that 10-year shareholder agreement. Can you just repeat that, sir?

P.S Patel: I think some of the conditions I have got little bit confused, but I'll come back to you, I think the major stock of shareholding to be considered is 5 years, and for 5 years from completion of the agreements, me and other existing promoters, are restricted in terms of doing such type of similar business separately later on or that time.

Ashish Shah: Alright sir, thank you.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: Good morning sir, and congratulations on the transaction. Sir, first question is, I could not understand this equal stake because now the open offer is for 26%. At present we stand at 30-30. Suppose they get the entire 26% stake in the open offer, then will you be selling only 4% to them?

P.S Patel: Yes. It will be 4% from my side and the 26% they are getting from open offer.

Sarvesh Gupta: So basically, the total stake of Adani plus you will not cross 60% in the company? 40% will remain with the public shareholders at all time?

P.S Patel: No. It is not like that. If suppose, today they are getting 26% through open offer and total is getting more than 75%, then keeping 75% as the threshold, it will be distributed between two.

Sarvesh Gupta: No, sir. So what I want to understand that post this open offer, suppose they get 10% in the open offer, then will you be selling 20% only to them?

P.S Patel: Then 10% is what they get from the market; 60% is mine and 10% they are getting from the market. So it will be distributed 35-35. So, I will be selling them 25%.

Sarvesh Gupta: Understood. So the total stake will remain equal after the open offer also?

P.S Patel: Right.

Sarvesh Gupta: Okay. Understood. And sir, on the margins. We saw a situation in UP wherein actual margins versus budgeted sort of was different? So, would there be fixed margins for all your projects with Adani or will be based on actual expense? Or will that be based on budgeted expense?

P.S Patel: Yes, you must be aware whenever we are working with a private group, the basic materials are always on a base rate. So those rates which were there in the UP were all the materials we have to bear the cost of the rising material cost. Here the base prices of the cement or steel, whatever it is, we have added today that will be paid off, whatever, whether it is minus or plus. What is going to be fixed is my overheads and what is going to be fixed is my margin and what is going to be fixed is my cost.

Suppose even the cost part if I consider is INR1 later and if I am spending INR1.10, then there can be a difference in the total margin that can impact your margin. But major material cost which are on a base rate that is not going to impact anywhere else to us.

Sarvesh Gupta: So we don't face the risks which manifested in our UP execution in these contracts?

P.S Patel: They are not the government project, hence it is different As I mentioned above is not only about Adani; we are working in Coca Cola or we are working in some other projects which are private. Every time the cement, steel, sometimes the flooring material, sometimes larger electrical equipment, these are all at base rate. So whatever plus or minus the cost of the material is, it is always deducted from the bill. So then the risk of inflation of major materials does not remain too much for the private contracts.

Sarvesh Gupta: Understood. Now sir, you mentioned that we would want to maintain the company level margins. But since we have seen some volatility around that in the last few years, would you want to restate what is that number that we are looking at? Is it like 11%, 12%? Or now that if their book becomes a big part of our execution book, will it go down to 9%, 10%? Or what is that number, sir, that on an EBITDA level that we will be looking at?

P.S Patel: See, again, I would say that previously also, we have changed our projection in the range of 10% and 11% from 11% to 12%. So today also what we have agreed and what we are aiming for future when we are working with Adani or whether we are working with other groups or whether we are working at government level, we will try and stick to maintain our EBITDA at 10%.

Sarvesh Gupta: 10% plus, okay. And sir, will you see a significant reduction in your interest cost post this transaction because of the change in the profile of the joint owners?

P.S Patel: The same thing, the debt part is because of whatever we are having, the debt part is not going to change much. So, interest cost is already, whatever impact has to come, that has already come after QIP. So, that will remain little bit standard. Yes, that can be little bit developed on the working capital side.

But the project which we are working on at the moment on time. So, if we are working with Adani, the debt flow will little bit improve. And that's how we expect that any money which we are drawing from the banks will not hold too much because of the receivables.

Sarvesh Gupta: Understood. And sir, finally, now there can be a lot of order inflows because of the work that Adani Group is doing. But how will we be able to sort of execute at larger scale? Because the

organization itself needs to be able to execute or take in those large orders. So how are we thinking about it? What are the organizational level changes or things that we need to do in the next 6 months to be able to do that?

P.S Patel:

We know our weak point, they also know our weak point. As I said, if we want to expand at both the levels, we may be required to strengthen our organization also. So, we are going to sit with them, at the HR level and how we can expand ourselves in terms of organization. That is not something which we are going to go through in the next one or two months.

Till today, we have been discussing majorly on the projects, share purchase agreement, etc. before this transaction. So once this transaction is through we will discuss in detail on how to go ahead on a larger scale project at Mumbai or Ahmedabad, or some other places where they are having the projects. That will be in the course of discussion we will get in to in one or two months.

Sarvesh Gupta:

Okay, sir. Thank you and all the best.

Moderator:

The next question is from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan:

Hi, thank you for the opportunity and congratulations on the transaction. So, my first question was, what were the constraints earlier either in terms of capital or prequalification, which now sort of goes away with the partnership with Adani. And does it allow us to compete in other segments or areas where we were not present earlier?

P.S Patel:

Yes. So, as far as PSP is concerned, we were having almost the highest standard of pre-qualification, except some of the large projects like airports. We have started our work at airports since last two years at Ahmedabad airport. But the size of those projects are the expansion outside the airport. So, probably joining hands with such a group who is having large projects on the airport side also will benefit us and add on to our scale. Otherwise amongst the institutional building, whether residential building or industrial building, we were having a strong profile. This partnership brings along assured profitability and assured business.

Amit Khetan:

Got it. And would it be a fair assumption that given how you have outlined that this is going to be a partnership between PSP and Adani, that both you and your family members who are currently involved in the business, will continue to be the case going forward? Or would your kids end up doing something else?

P. S Patel:

Yes. so as I said, presently the shareholder agreement is based on 5 years management control and after 5 years if my son wants to continue or they want to add on some people that can be discussed later on. And how much we are able to strengthen ourselves in terms of business in these next 5 years after getting such a large opportunity that can be discussed later on.

But today, it is not clear how my family going to continue after 5 years. If my both son and daughter both grow up in a direction to stand to what I'm doing till now, I may or may not retire and decide to still work say for further 5 more years, that will be discussed later on after 5 years.

Moderator: The next question is from the line of Devang Patel from Samiksha Capital.

Devang Patel: I want to understand what we are looking to strengthen in terms of technology, which you mentioned a few times earlier. So are we looking to scale up our precast capabilities? Or are we looking to add some more capabilities? Would this be outside of building, say, tunnelling, for example, if you can please clarify on this?

P. S Patel: Presently, Adani is working at Ahmedabad and Kandla in Gujarat. They are also working on Dharavi projects, Mumbai Airport, etc.. So, all these places presently we are having a precast plant in Ahmedabad in Gujarat, so whatever project we can convert into precast will be able to be delivered from the present facility.

There is 1 more plant which is coming up. Whenever there is a requirement of a new plant that will be an asset owned by Adani. We will be managing the operational part. So presently there is the installation of plant is going on at Mundra. And there is 1 more plant which is coming up at Mumbai. We will be responsible for operations as we have the expertise of making this element.

We have an experience of operating precast plants. We will focus to increase our operational strength to work on all these three plants so that the project elements are being casted and later on those types of projects where we are casting and we can go for installation also. But if there is a large project where two or three more contractors are involved, we may be involved in the production also.

So, it's something which depends later on how the projects are converted Casting Situ precast and where this type of technology can be feasible and cost effective.

Devang Patel: Okay. And the plant that we are currently of precast, would we be looking to expand that also because of this partnership?

P. S Patel: See, as of now, we don't see that. Presently, at least we've been saying one or two months or three months, actually we don't have any idea of any calculation of expanding that because there are two or three projects which we are working on and it is at the design stage for Adani Group. There, this plant is sufficient to provide elements on that site.

But in future also, if we add on more and more projects in reality at Shantigram, then there can be an expansion. But we have already expanded ourselves to double the precast facility with moulds. As we are working on L&T order, the present facility has already been doubled. So, after that L&T order is over in June, we have that space available, we simply have to invest in mould.

But as of now, we don't have any requirement that the projects which are in line, which we are going to add on in this order book in next few months.

- Devang Patel:** Right, sir. Sir, in terms of pipeline, which we have mentioned in earlier quarters of INR7,000 crores. Does that immediately expand? You've mentioned a few INR1,000 crores projects. Should we assume these are already part of our pipeline? Our pipeline remains the same because this partnership or does it expand immediately because of this?
- P. S Patel:** See, that pipeline, there are two projects from Adani Group side and there were few projects from government side also. So there were one or two tenders from NBCC and there were one or two tenders from different developing groups in Ahmedabad also. So overall that order book still remains INR 7,000 +.
- But as far as Adani is concerned about INR700 to INR800 crores of projects we are discussing at Shantigram. About INR800 crores projects we are addressing at Adani Airport in Ahmedabad. About INR1,000 plus-crores projects we are discussing at Mumbai Airport. And about I think INR300 plus-crores projects we are discussing at Dharavi, which is going to be the first project of rehabilitation.
- Devang Patel:** Sir, apart from residential building orders, which can be negotiated on cost plus, can you also clarify these airport orders you can get on a negotiated basis or these have to be on a tender basis?
- P. S Patel:** See basically everything depends on their governance. Whatever identity they are having and different types of projects coming in different, different verticals. So it will be always the competition between two or three people. But to work out on the minimum cost, how the project can be calculated, with keeping most of the options at base rate, that can be worked out later on based on my calculation of cost and overheads and profit.
- Devang Patel:** Okay. So, for example, when you said INR1,000 crores of Mumbai Airport order we are in discussion, this could be on a negotiated basis, I mean, not on a tender basis. Is that what you are saying?
- P. S Patel:** It is already been quoted by so many other companies also. So it's not like that, that we are the only person in the negotiation. But yes, the idea would be that how we can come to closure to the right cost and the right overhead at the right profit.
- Moderator:** The next question is from the line of Vaibhav Shah from JM Financial.
- Vaibhav Shah:** Sir, out of our order backlog of INR6,500 crores, what will be the share of Adani Group projects right now?
- P. S Patel:** INR232 crores approximately
- Vaibhav Shah:** Okay. And sir, secondly, if I heard it correctly, you're guiding for EBITDA margins of 10% plus going forward in the medium term, right?

P. S Patel: Yes.

Moderator: The next question is from the line of Neel Thakkar from Aero Capital.

Neel Thakkar: So my question is that how committed or how passionate the current promoter group would be to continuing this partnership for a fairly foreseeable future?

P. S Patel: That passion Adani Group saw in me and hence joined hands with us. So, basically as I said, I was passionate about running this company right from the day I had created this company. Today also by joining hands with them we are assuring so many things for the future. So it is not at all about that our passion will go little bit down, we are at a 50% partner. The ultimate rationale from this partnership is to assure a good business growth from here in a way it is beneficiary to both the companies.

Moderator: The next question is from the line of Nitesh Kochar from Riverland Capital.

Nitesh Kochar: Sir, my question is, I mean, the previous discussion in participants were asking and spoke solely on PSP Projects getting projects from Adani Group and a number from this and that. But I think this is much bigger than that, much bigger than you getting projects from Adani Group and order book going up.

Now the thing is, it is obvious that the entire opportunity landscape changes for your company. My question, the first question here is how ready are you to cater to those opportunities, how you are going to change the organization, see the project coming project size or maybe the geographies would be depending on what you've been doing the last 15, 20 years.

Technical expertise would also be different. It's going to be high value-added project. So how are you ready and how confident you are, the way that you would be running this company with a very, very clean, pristine parameter, sound receivable days, sound balance sheet, debt profile and not taking loss-making project.

Are you ready to do that to continue with the same profile of PSP projects even if the size of the company changes dramatically? This is question number 1.

P. S Patel: See, there are 2 to 3 parameters, which we have to understand. Our performance and our experience in last 10/11 years after getting listed after eight years of operations. We have learned a lot through our experiences, a lot from SDB, and have learned a lot from Uttar Pradesh also. So now going forward, what is the reason to have this partnership with Adani? It is more on technology part. So because they are also having that pressure that most of the contractors are not able to perform well throughout the season because of not directly involved in their decision.

It is more because of the impact of the weather, it is more impact of the consistency of availability of labour. So this is the pain which overall all the contractors are facing and all the owners are facing. So we are trying to convert this joint venture into a different mode that I strengthen myself in terms of management to what I am doing till now.

And also I'm trying to put in more and more technology and putting more and more things which are happening in the world which we can adopt because we have a larger order book or the larger overview of projects which we can get this capex out. So the whole idea is to reduce the management cost, reduce the labour cost and increase the productivity.

And we as an entrepreneur or as a contractor you must say see we are the pioneer in Ahmedabad to make the people learn more and more about how the things can be done in a better way and better quality. And that's the reason we have been adopting more and more technology throughout our career.

And that's what Adani is also seeing for future. So there we have a better way that whenever there is an investment of INR100 crores or INR200 crores which can solve your problem of INR1000 crores, we'll be easily ready. So this is a better way to understand. Over the years, we have already strengthened ourselves and the company in terms of managing the people with processes and culture.

But going from here it would be more rather than learning something from the technology part and adding people on the technology part. At the same time there will be a few projects where we cannot convert projects into a technology, where we have to carry on with the same technology.

But residential reality projects can be converted into technology, large projects of institutions can be converted through technology, projects which are at the industry level that can be converted into technology, because we have been doing Nestle, we are doing Coca-Cola, etc. For Precast, we have done about 12 lakhs square feet of Precast in the past one year.

So probably going from here we have to increase our bandwidth both to make more and more people aware about this precast technology. At the same time we have to strengthen our management top line, where more and more people get up to manage more and more projects.

Nitesh Kochar:

Perfect. So thank you, sir. And my second question to Prahalad bhai, is you have built this company with lot of hard work and anyone who has tried your company for last few years know that at INR575 it is definitely undervalued. Now to sell a very large chunk of your private personal shareholding to Adani, new 30% at INR575, it is a very tough and hard decision I can understand.

Question here is, do you think that with the balance 30% and given the changes that it will bring into the business, you can make up for this last 30%? I mean the question here is for your personal wealth, you took a call that instead of owning 60% and a normal steady growth, it is better to own half and to be on a super growth path. So how do you see that? This is my second question.

P.S Patel:

See here it is not only about my money, or about my investment. It is more about how company can grow from here. See INR575 or INR600, you are absolutely right. This is my money which

I can compare with that. But this company is not generated to create money out of this shareholding what I have done till now.

Even if you see we were holding 72%, I bought some shares from the market also. So it depends on the situation. After going through the 3 years of journey, wherein we have failed some of the projects in UP, we have learned so many things from Uttar Pradesh, Surat Diamond Bourse, Kashi Vishwanath Dham, etc.

Now going further, we have an assured business, assured owner with a fixed type of technology which we can accept also. So I am the person to decide upon how we should go on different types of projects, how we should manage such types of projects from their side also. So I personally don't feel that way that this is something which I am losing or this, but I am thinking about the company.

What is company going to gain out of this? At the end of the day, I need my journey to continue with the same pace with what I have created this company. And I can strengthen this company by joining groups like this wherein who has plenty of work to be done in the next 10 years. Hopefully, if I can do about 10% to 20% of that work also, we will be the happiest person as a company and as a shareholder, I would say.

Nitesh Kochar:

Perfect. Thank you very much, sir. And I wish you all the best. I really hope that PSP project become number one EPC Company in India in the next 5 years and all the very best to entire team.

Moderator:

The next question is from the line of Anil from SMIFS Limited. Please go ahead.

Anil:

Yes. So congratulations, sir, on this deal execution. Good part is that you are still going to keep the management with yourself. My only question is, if we had done this deal, maybe some time later, you have already shared with us that incrementally things are going to improve on margin front, etc. So probably you could have got a better deal. So my just one simple question is, how happy you are with the deal price?

P.S Patel:

My last answer was on the same line. It is not about my opinion, sir. It is not about the Adani group's opinion. It is more about both the groups, where we can convince ourselves they want to increase their capex in a proper way so that they get the delivery on time. We want to grow from here in a different scale after utilising and having an experience of precast technology and how this company can come out different ways, wherein we are having an assured timeline for each project. And if we have more and more clients to convert to precast.

So this whole question is about going from this, see the pressure I was having since last 3 years. We are not getting consistent labour. We are not getting good quality of people at management side. So putting up more and more technology and decreasing on the management part, decreasing on the labour part in labour involvement will obviously give a different edge to this company.

And when we are talking about such a large group like Adani, they don't have any problem in investing INR100 crores or INR200 crores. Even if it is to be invested, they can invest from their current company. When they are doing a project, supposing for airports, and if they have to invest INR100 crores, they will say with these INR100 crores we are investing, rest of the thing management and everything you can do from your side, so that this project of INR1000 crores or INR2000 crores is completed on time.

So I personally don't think whether for my side this valuation was perfect for me or not. But it is more about strategically good way of going from here and keep ourselves going in a better way and do not fall into the same issues of failure like what we have failed in different projects like SDB, payment related issues, UP where we had a loss because of the material cost and the timeline going up.

So such types of risks will be getting avoided and it is more about the company rather than more about my side.

Anil: I appreciate your thoughts sir. So shall I presume that okay you are happy with the deal price?

P.S Patel: 100% sir.

Anil: Okay, thank you sir and all the best.

Moderator: Thank you. As there are no further questions from the participants, I would like to hand the conference over to the management for their closing comments.

P.S Patel: Thank you one and all of joining us on our conference call today. Thank you for your time, support and trust in us. We hope that we have been able to address most of your queries. In case of further queries, you may reach out to us offline. Thank you again and good day.

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