

August 16, 2024

To
BSE Limited
Listing Department
P.J Tower, Dalal Street
Mumbai – 400001

To
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G
Bandra Kurla Complex,
Bandra (E), Mumbai – 400051

Stock Symbol -540047

Stock Symbol –DBL

Subject: - Transcript of the Analyst/Investors conference call

In continuation to our letter dated August 07, 2024, please find herewith the transcript of the Investor conference call for Investor and analyst held on Tuesday, August 13, 2024 at 06.00 PM. (IST) related to the financial results for the quarter ended June 30, 2024, conducted through digital means.

The aforesaid information is also made available on the website of the Company i.e.

<https://dilipbuildcon.com/investors/shareholders-centre/>

This is for your information and record.

With Regards,
For, Dilip Buildcon Limited

Abhishek Shrivastava
Company Secretary



**“Dilip Buildcon Limited Q1 FY 2025 Earnings
Conference Call”**

August 13, 2024



**MANAGEMENT: MR. DEVENDRA JAIN – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER - DILIP BUILDCON
LIMITED
MR. ROHAN SURYAVANSHI – HEAD STRATEGY AND
PLANNING - DILIP BUILDCON LIMITED
MR. SANJAY KUMAR BANSAL – CHIEF FINANCIAL
OFFICER - DILIP BUILDCON LIMITED**

**MODERATOR: MS. JILL CHANDRANI – S-ANCIAL TECHNOLOGIES
PRIVATE LIMITED**



*Dilip Buildcon Limited
August 13, 2024*

Moderator: Ladies and gentlemen, good day and welcome to the Dilip Buildcon Limited Q1 FY '25 Earnings Conference Call, hosted by S-Ancial Technologies Private Limited.

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 call, please signal an operator by pressing "*", then "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Jill Chandrani from S-Ancial Technologies. Thank you and over to you, ma'am.

Jill Chandrani: Thanks to you. Good evening, everyone. Welcome to Dilip Buildcon's Q1 FY '25 Earnings Call.

From the Management we have with us Mr. Devendra Jain – Managing Director and CEO; Mr. Rohan Suryavanshi – Head Strategy and Planning; Mr. Sanjay Kumar Bansal – Chief Financial Officer.

Before we begin this call, let me mention the standard disclaimer:

The presentation that we have uploaded on the Stock Exchange, including the interaction in this call contains or may contain certain forward-looking statements concerning our business, prospects and profitability, which are subject to some uncertainties and actual results could differ from those.

Now, let me trend over the call to Mr. Rohan Suryavanshi for his "Opening Remarks". Thank you and over to you, sir.

Rohan Suryavanshi: Thank you, Jill. On behalf of Dilip Buildcon Limited, I welcome all the participants in our Quarter 1 FY '25 Results Con Call. The Results and Presentation have been uploaded on the Stock Exchange and I hope all of you have had a chance to look at it.

At the outset, I would like to share some industry updates:

It has been evident in the recent Union Budget that the Government has high aspirations for the infrastructure sector with a view to making it a powerhouse in our economy. There has been an allocation of Rs. 11,00,000 crores for the infrastructure sector this year, indicating a growth of 11.1% as compared to last year's budget. This contributes to approximately 3.4% of the GDP. Road transport and highway has been allocated Rs. 2.78 lakh crores. Railway has been allocated Rs. 2.65 lakh crores. Logistics and supply chain sector has been allocated Rs. 2 Lakh crores. And metro rail has been allocated Rs. 24,900 crores.

Cabinet has also approved eight national high speed rail corridor projects worth over Rs. 50,000 crores to improve logistics, efficiency and connectivity across the country. All these things are said to have a multiplier effect on our economic growth and also boost employment

opportunities. Above all, it will give impetus to India's unwavering commitment to a futuristic and connected India. This scenario definitely augurs well for our growth trajectory given the Government's sharp focus on the infrastructure segment.

Now coming to the sector and the Company:

During the quarter under review, ordering activity was weak across all sectors, which was as expected because of the elections, but now is expected to pick up. For us also we have received a single order in the railway segment of Rs. 926 crores. But going forward, on the back of a strong order pipeline and across all our segments, we are confident that we will get an order inflow of Rs. 15,000 crores to 16,000 crores for the full year. And there are enough orders across the segments like I mentioned that we look at.

On this quarter onwards, in our order book we have also started including order value from our coal MDO, which we were not doing in the past. As is the current market practice, players are including that, so we have also made changes. And in our current order of Rs. 18,600 crores, we have added three years coal MDOs of Rs. 2,400 crores. So, while the total estimated revenue from our coal MDO would be around Rs. 5,500 crores over the next three years, but this will be accounted at the SPV level, out of which DBL will be getting around Rs. 2,400 crores, like I mentioned.

On the Execution front:

We have experienced payment related challenges primarily from JJM projects that resulted in higher debtors and stretched working capital. It's a temporary phenomenon because of election and other things that were happening in the Government. But it is the top agenda of the central Government, and the sector would see a major execution ramp up soon, along with solution for all these stuck payments. So, while our debt has temporarily increased, we are very confident that as the financial year goes forward and the payment from the Government gets normalized, we will achieve our target debt levels of Rs. 1,000 crores net debt by the end of this fiscal year, as we had indicated on our last call.

In our investment portfolio of HAM assets:

I am happy to inform that recently we have fully concluded the Shrem InvIT deal with transfer of 51% equity stake in the last asset that is Patharapali-Kathghora project. With this transfer, our entire deal is concluded with the Shrem Group. While we will continue to do O&M of their assets for the live duration of those assets.

In other news, in our Alpha InvIT asset deal, we are progressing as the plan. Till now we have transferred 26% stake in four assets out of a total deal of 18 assets. Our InvIT formation process is also progressing well. We have applied to SEBI, and we have already received initial remarks. We are still very confident that we will be able to create the InvIT by the end of this financial year.



*Dilip Buildcon Limited
August 13, 2024*

In our coal MDO business that constitutes Siarmal coal MDO, which is the largest coal MDO in the country. I am happy to report that we have achieved production of 3.27 million metric tonnes in the last quarter. To give perspective of our execution progress, last year we had done a total production of 7 million metric tonnes versus contractual requirement of 5 million metric tonnes at Siarmal. This year, our contractual requirement is 10 million metric tonnes. But we are already running with a run rate to achieve 50% more than that, that is 15 million metric tonnes in this financial year.

Another good news, Pachhwara MDO is also progressing as per plan. During the quarter under review, we have achieved our coal production of 1.46 million metric tonnes. Here, we are on target to achieve the 7 million metric tonnes which is the full capacity for this.

As I have discussed before as well, but just to reiterate, as I conclude my remarks here, this is DBL 2.0 where we are in the process of creating a fully diversified Company working across 8-10 different infrastructure sectors, with an aim to achieve zero net debt in the next two years, along with having a healthy mix of short term and long term assured cash flow businesses, and industry leading return ratios. So, that is the goal that we are working towards, and we hope to keep delighting you quarter-after-quarter.

Now, I would like to hand over the call to our CFO for the "Financial Overview". Thank you.

Sanjay Kumar Bansal:

Good evening, everyone. I welcome all our stakeholders to our Earnings Call.

Let me present the Results of Dilip Buildcon Limited for the quarter ended June 30th, 2024, and highlights of current Financial Year:

The Company has completed four projects aggregating to Rs. 3,604 crores and won one railway projects worth Rs. 926 crores.

On financial side, year-on-year basis:

Quarter 1 FY '24 versus Quarter 1 FY '25. On the revenue front, the revenue is decreased by 9.61% in Quarter 1 FY '25 from Rs. 2,609 crores in Quarter 1 FY '24 to Rs. 2,358 crores. This is mainly due to lesser revenue from roads and highway business.

EBITDA decreased by 21.62% in Quarter 1 FY '25 from Rs. 335 crores in Quarter 1 FY '24 to Rs. 262 crores in Quarter 1 FY '25. The EBITDA margin mainly decreased on account of reduction in revenue and overhead expenses on the reduced revenue. Profit after tax has also decreased by 43.17% in Quarter 1 FY '25 from Rs. 83 crores to Rs. 47 crores in Quarter 1 FY '25. This is mainly on account of reduction in revenue and corresponding EBITDA margin reduction.

Thank you all and now we can open the floor for questions and answers, thank you again.

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

Shraavan Shah: Sir, first on the order inflow front. So, now we are seeing the higher order inflow of Rs. 15,000 crores to Rs. 16,000 crores versus last time you said Rs. 10,000 crores to Rs. 12,000 odd crores. So, just trying to understand for that, how many projects we have already bid and where is yet to open? That is one. And second, how much more we are planning to bid? And broadly, if we break up this Rs. 15,000 crores to Rs. 16,000 crores order inflow, so how much we are looking in the HAM, and any other sectors which you want to highlight?

Rohan Suryavanshi: Thank you, Shraavan ji, for your question. Yes, you are very right, in the last quarter we had given a more muted guidance. But as the year has progressed, and as you are well aware, the sector has seen a depleting order booked because of weak ordering from last year, to ensure a steady growth going forward we have reassessed our numbers, and that's why you see the numbers of Rs. 15,000 crores to Rs. 16,000 crores that we have done.

We are quite confident of reaching these numbers across all the sectors that we are working in, the sectors that we are in. Besides the sector that you are aware that the Company works in, we have also gone in the optic fiber segment and about Rs. 50,000 crores worth of orders were floated in that. So, we were participating there as well. Those bids have also already being done. So, let's see. We are hoping to have some good news there as well as pass there.

I cannot give you sector specific breakup of orders, how it will flow. But like I mentioned, we look across all the sectors and it has been our endeavor in the last few years to move away from a single sector dependency to a more robust multi-sector sort of order book. And that is what our agenda and aim will be this year as well.

Talking about the HAM versus EPC, our primary focus and our primary liking is always EPC projects. The HAM route has always been used by DBL to fulfill its equity needs. But even since you asked, I think we would still be thinking about at least Rs. 5,000 crores to Rs. 6,000 crores of HAM in this total order book. So, to break it up, two-thirds of the order book would be straight up EPC, one-third would be HAM/BOT, like any kind of PPP project.

Shraavan Shah: Second in terms of the revenue front, so obviously this quarter was a muted one, and we were looking at kind of a flat full year FY '25. So, now is there any upward revision in the revenue also for this year? Or if possible, for next year, given the order inflow will be higher this year, so FY '26 is there any kind of a guidance that are we likely to give for FY'26?

Rohan Suryavanshi: Shraavan ji, it would be too early to give you an indication for FY'26. But I am very confident that it will be much better than this year, because once the order book formulates, this year in fact we have given you a flattish guidance earlier as well, but I think looking at how the ordering has still been weak till now, we would actually be looking at a 5% degrowth from last year's number. I think that would be a better assumption to make at this stage, given the order inflow sort of pace that has happened. We were expecting it to start much faster but given that we think

that is a better number. But FY'26 I think would be a good year. But we would only be able to comment on that once the end of the year numbers are in hand where we know how the order book looks and stands, anything earlier than that would be premature.

Shravan Shah: And in terms of the margins also, so this quarter was 11.1%. So, we were looking at 12% to 14%. So, given now we are seeing the 5% lower revenue growth, or degrowth rather this year, so in terms of the margin also will it be a kind of 11%?

Rohan Suryavanshi: Yes, I think given that we are geared up for more and the margins should, I think as a good prudent strategy, it would be good to take the current numbers as the EBITDA numbers which is around 11% to 12%. I think that would be a good way to think about it. I think earlier we had indicated 11% to 13%. But I would say 11%, 12% is a good figure to kind of think about given the, like I said, some of the challenges around the depleting order book.

Shravan Shah: And sir, on the debt front, correct me if I am wrong. You mentioned this year that though this quarter Rs. 700 crores gross debt has increased because of the working capital. So, want to understand two aspects, whether this working capital, particularly debtor, have we collected post the June till now? And how we look at the working capital by end of FY '25? And broadly you mentioned Rs. 1,000 crores gross debt reduction in FY '25?

Rohan Suryavanshi: We have collected some after June, and I did mention in terms of like the target debt level you mentioned, from here we are looking at the reduction of Rs. 1,000 plus crores of debt level from where we are standing right now. So, you are right about that, from the current levels where we look at. But I had given you a target of around Rs. 1,000 crores by the year end, which was Rs. 1,500 crores as of last financial year. But to elaborate more on debt collection, I will hand over to our CFO. Sir?

Sanjay Kumar Bansal: Shravan ji, basically total net date on 31st March was Rs. 1,515 crores, now it has increased by almost Rs. 700 crores. The total term loan is only Rs. 140 crores as on 30th June. So, the reduction in debt will happen only in the working capital. So, what Rohan ji said, the reduction in the working capital limits, so from Rs. 1,500 to Rs. 1,000 crores. So, today the outstanding is around Rs. 2,226 crores, so that will be reduced to say Rs. 1,000 crores at the end of this financial year. I feel this clears.

Shravan Shah: So, from Rs. 1,226 crores net debt, we will be reducing that close to Rs. 1,000-odd crores, so around Rs. 1,200 crores, Rs. 1,250 odd crores net debt by end of March that we are looking at?

Rohan Suryavanshi: This is right.

Shravan Shah: And then the next one, we will become a net cash kind of a Company by FY '26?

Rohan Suryavanshi: Yes, that is the agenda, sir.

- Shravan Shah:** So, there just wanted to elaborate further. So, in the Alpha Alternative, for four projects we have mentioned that Rs. 161 crores we have received. So, how much more cash are we going to receive so that would be a major driver in terms of the debt reduction, and plus the working capital?
- Rohan Suryavanshi:** I think we mentioned that in the presentation on Page 26 we have mentioned how the equity would flow from the investment that will come from Alpha in the year. So, if you want to look at it share, Sanjay sir will explain.
- Sanjay Kumar Bansal:** So, Shravan ji, as of 31st March we had divested three assets in 26% and this quarter in July first week we divested 26% in another asset. So, out of this Rs. 478 crores which is shown in page number 26 of our Investor Presentation, around Rs. 190 crores precisely we received in July. So, out of the balance, this will be received majorly in this quarter. And one asset may go to early next quarter. So, balance money, out of Rs. 477 crores we received Rs. 190 crores, and balance will be received in quarter two majorly, and some money in quarter three.
- Shravan Shah:** And lastly, particularly on the standalone in terms of the finance cost and other income, just wanted to understand. So, we were kind of looking at Rs. 350 odd crores kind of total finance cost for this year at standalone. So, this quarter it has, because of the debt has increased, so finance cost has also increased Rs. 119-odd crores. So, how do we look at for full year the finance cost? And then the same way, the other income was just Rs. 13 odd crores, so there how much more are we going to receive any kind of dividend from any of the InvITs from Shrem or any other MDO through where this income, other income can go?
- Sanjay Kumar Bansal:** So, still, even after increase in debt in first quarter, we still believe the debt cost will be between Rs. 350 crores to Rs. 400 crores. This is number one. And in terms of other income, let me tell you, the other income consists of various items like dividend from the existing Shrem InvIT units, the distribution and interest on our income tax refund and all. So, yes, in Quarter 1 there is a reduced other income, but we feel this quarter the distribution from Shrem was around Rs. 5, which is more than our expectation. So, going forward, we think whatever we had given in slide number 26 will be more or less achieved.
- Moderator:** Thank you. Next question is from Ishita Lodha from SVAN Investments. Please go ahead. You may go ahead with your question.
- Ishita Lodha:** The revenue in coal mining business has actually declined despite like better production volumes. So, is this due to lower realization or what has led to the reduction in revenue from Rs. 162 crores in the last quarter to Rs. 150 crores in current quarter?
- Sanjay Kumar Bansal:** Madam, let me answer this question. First of all, we have not given the coal revenue in the Investor Presentation. What we are saying, out of the total order book of the two MDOs, Rs. 5,500 crores is three years' revenue. Out of that, Rs. 2,400 crores revenue in next three years will accrue to DBL. And we had given the MDO performance in terms of the physical, so against 15 million tonnes target we have already done 3.23 million tonnes coal production in Quarter 1, and

in Pachhwara against the 7 million tonnes capacity, we did 1.46 million tonnes. So, I do not know from where the revenue is taken. If you can elaborate, we can answer further.

Deepak: Hi sir, this is Deepak this side. Just continuing on that part, in the standalone revenue, on the vertical wise we have shown the segmental breakup where we have shown road, special bridges and tunnel revenues of Rs. 1,081 crores which has declined 43%. And mining has come down to Rs. 150 crores, which has declined by 6.74%. So, on the standalone basis, this quarter there has been a decline on vertical wise. So, just wanted to understand on that part.

Sanjay Kumar Bansal: So, Ishita and Deepak, we had given the total, I mean, the total revenue of DBL. So, nowhere we have given we coal revenue separately. We had even given the order book breakups. So, in order breakups, as Rohan ji explained, we have added Rs. 2,400 crores revenue from these two SPVs to DBL for the order book purposes. But revenue, which page you are referring to, can you please tell me?

Deepak: So, basically in the Press Release we have given the segmental break. Just a second, I am sharing the details. On the page number 20 of the Press Release.

Sanjay Kumar Bansal: So, basically you are referring to, so if you can see my order book position, basically the total order book if you are referring --

Rohan Suryavanshi: Sir, I think you are looking at the Press Release, right?

Deepak: Yes, Press Release, segmental contract revenue break-up on the Page #22.

Rohan Suryavanshi: Right. So, there why the reduction you are seeing is because besides the two coal MDOs where we are doing well, there were also EPC contracts that you are doing which are finished. Nigahi and Samaleswari are finished, that is why you are looking at that number, because the revenue that was contributed by Nigahi and Samaleswari is over now, that's why there is that reduction because of the other projects getting done. But those are very small contracts compared to the MDO contract that we will be doing where we mentioned the revenue potential is Rs. 5,500 crores for the next three years.

Deepak: So, basically in the mining division, our external orders have been finished, now internal orders will get executed over a period of next three years which will drive the revenue growth?

Rohan Suryavanshi: This is not an internal order, MDO is also an external order, sir. It's just the nature of the contract is different. And MDO is a long-term contract. So, one Siarmal project is a 25 years contract and other Pachhwara project is a 55 years contract. So, it's just the nature of the contract, this is not an internal mine for us. This is ultimately we are supplying to the Government at a predetermined price, which also includes inflation indexes. So, that's what we are doing in the MDO process. So, the thing that it does for us, it gives us predictability of revenue and the stability of sort of income coming on a long basis.

Deepak: And secondly, looking at the debtor position, debtors from the last quarter, from Rs. 1,392 crores it has moved to Rs. 1,766 crores. I do understand you mentioned about the payment related these things, but just wanted to get the sense, what is the updated position at the current juncture? Has there been any further reduction in this? And in the current debtors of Rs. 1,766 crores, how much is from the JJM projects?

Rohan Suryavanshi: Sir, there is a reduction on this from the numbers where we are looking at, what you are looking at, there is definite reduction. We do not provide specifically breakups on that. But if you want to get in touch with my team separately, you can talk about it separately. But JJM is the larger bit of it, the big reason for this increase.

Deepak: Sure. And finally on the guidance, just wanted to check it again, on the revenue basis we maintain the flattish revenue growth, or would we expect some decline in this year? And what is your current bid pipeline from the order inflow perspective at the current juncture?

Rohan Suryavanshi: Sir, like you mentioned, I think it would be prudent right now to take a more measured approach to our revenue. And that's why we said, instead of the flattish, we should account for sort of a degrowth of 5% given the weak order book that had happened. But going forward, there is a very good order book that we see in front of us of Rs. 2 lakh crores plus. The road sector alone has a very decent order book, along with the other sectors that we are working in. So, we are confident that we will be able to do Rs. 15,000 crores to Rs. 16,000 crores in new orders in this financial year.

Deepak: How much is your current bid pipeline, the projects where we have done the bids at the current juncture?

Rohan Suryavanshi: I think less than Rs. 25,000 crores where we have already bid out.

Deepak: And finally, just wanted to check it out, in this quarter our margin profile has come down to 11.1%, and there I can see other expenses has increased to 4% of the revenues. So, just wanted to check, is there any one-off in this quarter in the other expenses in terms of provisioning or any other expenses? And what could be the broader margin we should be looking out for the year as a whole?

Rohan Suryavanshi: Sir, margin profile is weak because of the lower execution. And we have guided towards a 11%-12% EBITDA that I have mentioned. So, that should be the guidance going forward. Any larger details that you want, you can get in touch with my team and they can explain to you.

Moderator: Thank you. Next question is from Darshil Zaveri from Crown Capital. Please go ahead.

Darshil Zaveri: A lot of my questions have already been answered. So, I just wanted to like to understand now we are also now getting into another segment of optic fiber. So, how are things looking out there, sir? Just a brief, what will our strategy be? Because there might be some intense competition out there or no, how is it sir?

- Rohan Suryavanshi:** Thank you for your question. We have already bid out on those projects, the one that optic fiber. So, there were 16 packages and in total about Rs. 50,000 crores plus of order book for us. And I am sure a few our peer sets also bid in it. We went on a joint venture module in those projects. And let's see, in next couple of months as they open up then we will be able to give you updates. But those projects have already been bid for.
- Darshil Zaveri:** And sir, just wanted to understand, I understand we are being a bit conservative, like maybe how our Q1 has been. But is there a possibility of good, surprising edge to execution pick up and order pickup, like is that a fair assumption? How are we looking at it, sir?
- Rohan Suryavanshi:** Sir, in terms of revenue pickup, I do not see a lot to happen there because the point of time where we are sitting in the financial year right now, with ordering still sort of not opened up completely. Had orders opened up a little bit more, there were more of the chances. While someone like me would always like to be optimistic. As a realistic picture, I think that would be very sort of tough at this stage. So, let's see how the year shapes out. But how the rains, our projects progress happens, if any unique surprises happen anywhere, let's see how that progresses out. But while what we have in hand, we are looking to do it with our sincere efforts. What we do not have in our hand currently, but we are very optimistic about is the large order book, typically in a year after we see the orders really flowing out fast. And usually, the second half of any financially is heavier in terms of ordering. So, that is what gives us that comfort and confidence.
- Darshil Zaveri:** And just like last question, so there are some state elections coming up. So, will that also impact order inflow or majorly ours will be related to center? Or it can have positive or negative impact because maybe center has to allocate more projects, so just like any idea on that?
- Rohan Suryavanshi:** There are only few states that are going to elections, and we are not very big on the state order book anyways. So, we do not foresee that as a challenge, as a large challenge anyway. So, I think because the larger order book from our part is from the national Government, and the Government subsidiary. So, I do not foresee that as a large challenge.
- Moderator:** Thank you. The next question is from Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sorry, I am looking at your slide number 26, on the Shrem InvIT part and the Alpha DBL unit. So, it looks like you will be recording almost Rs. 280 crores plus Rs. 94 crores, so almost Rs. 375 crores of distribution in FY '26. So, this will get reflected in your standalone other income?
- Sanjay Kumar Bansal:** So, basically, you must have seen in the Shrem InvIT units as well, so distributions are in three forms; one is the dividend, interest and capital return. So, we are talking about the total distribution. So, in Slide #26 it is showing total distribution. So, we do not know today whether it will be interest or dividend or capital return. So, actual breakup will be at the time of distribution, but this is projected distributions. From Shrem we have taken around 13% distribution. First quarter was higher than the expected, and the Alpha DBL we have taken 10%, 11% distribution on conservative side. So, these are the distributions we have taken into account.

- Parikshit Kandpal:** Sir, given the nature of the capital structure of these InvITs, so how much do you think can accrue to your P&L out of this Rs. 380 odd crores in the FY '26 how much do you think can come into your P&L?
- Sanjay Kumar Bansal:** So, though that is not known to us now, but if you can see last year, it is two-third one-third, so two-third in the income and one-third as a capital return. But this ratio will change based on various parameters. So, I do not know as on today.
- Parikshit Kandpal:** This is a substantial number coming accruing to your profitability, that's why I was questioning. So, I understood you said two-thirds as of now given the historical capital structure and distribution, it could be two-thirds. But it will be known closer to when it gets distributed. Second question is on the MDOs, now these MDOs, at least in Siarmal we are ahead of actual contracted production, and in Pachhwara we are lagging. So, just wanted to understand why, so if you can give us what was the total profitability of MDO in the last financial year? And in this one quarter, how much these two MDOs would have contributed? And given that there's a significant ramp up happening, so how do we see the profitability of these MDOs over the next few years?
- Rohan Suryavanshi:** Parikshit ji, we are not lagging in Pachhwara, we are on track how much we have to deliver. And we have to do only 7 million metric tonnes of coal production in the financial year. So, we are on track to achieve that, so there is no lag there. We are sorry if there is some miscommunication, but there is completely true, like I said in my opening remarks as well, and Siarmal we are 50% above target.
- Parikshit Kandpal:** Yes, Siarmal we are above target, but I saw the number of FY '24 where 7 metric tonnes was to be --
- Rohan Suryavanshi:** It was in full year.
- Devendra Jain:** It was the first year, Parikshit ji, that was the first year of the starting of the mine, so there were so many problems in the road transport. But now this year we will achieve the full target of 7 million tonnes.
- Parikshit Kandpal:** But if you see, when so much ramp up is happening, I mean, we can share some numbers on how the profitability has been in Q1, because if they are ahead of schedule then your profits get preponed, right. And also, if you can throw some light on how much CAPEX is pending to ramp up to the full potential in both the mines?
- Rohan Suryavanshi:** Sir, we do not share profitability by project or by sector. So, combine way would be a better way to look at it. But the projects are better profitable than our number that we mentioned. So, at EBITDA level it's better, but we should look at the company combined.
- Parikshit Kandpal:** And pending CAPEX is how much in both these projects to ramp up to the full potential, like how much would be the CAPEX you will need to incur to ramp up the mines?

Sanjay Kumar Bansal: Parikshit ji, Pachhwara we have no CAPEX. And in terms of Siarmal, the total CAPEX originally projected was around Rs. 2,700 crores. Out of that, around Rs. 280 crores is already done, which is HEMM we have bought in the Siarmal SPV. And once the coal handling plant will start, then there will be more CAPEX. But let me tell you, out of the total Rs. 2,700 crores, Rs. 2,040 crores financial tie-up is already done in FY '22 with SBI, Union Bank and Power Finance Corporation. So, that will be funded from there. And that CAPEX is in SPV level, not at the DBL level.

Parikshit Kandpal: So, Rs. 2,040 crores project finance tie-up that you have, against that you have given the equity outflow I think in your slide where you show the HAM. So, total in equity balance requirement in Siarmal is Rs. 419 crores?

Rohan Suryavanshi: Yes.

Parikshit Kandpal: So, debt will be Rs. 1,600 crores?

Sanjay Kumar Bansal: So, total I said Rs. 2,700 crores, out of that equity is Rs. 576 crores, around Rs. 2,042 crores is the debt. And out of debt we have already taken divestment of Rs. 224 crores and we have invested equity of Rs. 157 crores. So, total Rs. 380 crores is already done out of Rs. 2,700 crores.

Parikshit Kandpal: So, once on this InvITs, if you start getting this InvITs, what should be your intent then? Because will it pass on to the investors as dividend or you will reinvest it into business? Because this will be substantial cash flow which will come, accrue to us, because Rs. 400 odd crores, if I see FY '27 numbers, you are already showing Rs. 450 odd crores of inflows.

Rohan Suryavanshi: Absolutely right, there will be a significant inflow to the Company. In terms of how we think about the money that comes into the Company, it will be dependent on the opportunity that will be from the Company, if we see that we do not have any good opportunity, we might end up just giving dividends to our shareholders. If we see there is a better opportunity and higher return ratio, higher ROE for our shareholders and what they are looking at us from, then we might look at investing in those assets.

But let me tell you a few things, very categorically. Number one, our intent for the next, like we mentioned, for the next two years is to reduce debt completely. So, our intent is very clear, whatever money that comes to the Company, currently first and foremost would be used for debt reduction to make the Company debt free at the standalone level. So, that is happening on the standalone.

Number two, our intent is to make sure that the consolidated debt keeps on going to the InvIT. So, even the consolidated balance sheet of DBL looks good. And wherever we have debt, it is all backed by the project financing, that would be our number two intent.

After that whatever cash flows are coming, we will look to see whether we can deploy it in long term assets which will keep generating returns for the shareholder of the Company over a long

term, and with higher return ratios like I mentioned. If not, then we will take a call of distributing it to shareholders as dividend. So, it will all depend at that time. But our intent is as I am sort of articulating to you.

Parikshit Kandpal: Once all these InvIT units that you receive, as per our understanding, Rs. 4,000 crores, Rs. 4,500 crores put together, is it right like that number will be close to about Rs. 4,500 crores? And if yes then will you be consolidating this debt of this InvITs, or it will become an associate once the InvIT is operationalized?

Rohan Suryavanshi: Debt does not come to us, we are only the unit holders of that InvIT, the debt is not there. The debt goes to the InvIT level. We are just like a shareholder to the Company; we will just be unit holders there.

Parikshit Kandpal: So, that HAM which you are currently carrying on will get knocked down because of consolidation, so it will not reflect in your consolidated balance sheet, right?

Rohan Suryavanshi: The asset level debt if you are talking about, so number one, the assets that we transfer to the InvIT, the debt will transfer there. Instead of the equity that we have invested, against that we will get the units. So, the Rs. 4,000 crores plus of units in the Alpha DBL InvIT, and the Rs. 800 crores odds units in the Shrem InvIT, those are all equity instruments. That's not any debt instrument, so those will be the equity holding of DBL.

Parikshit Kandpal: That means your consol will closely mirror your standalone debt, which will be anyways net cash by then in two years, which you are guiding. So, you will be hardly carrying some debt on your MDO which may be, you said, Rs. 2,000 crores and plus something in other coal mine. So, that could be what will remain. So, MDO debt will largely remain, right, rest all debt will get out?

Rohan Suryavanshi: MDO debt will remain. And if any new HAM projects come to us, that will come. But then those will only have a churning time. So, you should think of it like DBL will be holding that debt for any time of three years, from the time we win a project to the time we are able to finally sort of move it to an InvIT. So, from getting it in to finally getting rid of the project to the InvIT or to investor, that time frame is three, three and a half years from the start of the debt date. That's roughly you should sort of think about.

Parikshit Kandpal: Sir, just my last question on balance sheets and where one thing which always creates, I mean, kind of like which I am very not much comfortable is your inventory levels. So, now you have started degrowing, you have stabilized your growth, but still your inventory is not coming down, it's still at 33, 40 days, which is almost one-third of your sales may be potentially for this year. And this is the highest in the industry. When the industry is running at 40 days or 25, 30 days, we are still at 110, 120 days. So, now we do not get any early completion bonus where we used to maintain aggregate inventory, and road as a percentage has also come down.

So, just wanted to get a sense on guidance on how will be the rundown of this inventory, because this is what is depleting our return ratios and elevating our working capital. So, if this is not there, I mean, so why still so much of inventory you are carrying on your books? If you can give some more color that will be helpful. And where do you see that at the year end, I mean, by FY '27?

Rohan Suryavanshi: Thank you for your question. I understand this has been a case of concern for people. But like you mentioned, you only looked at one bit of it, which is the inventory. When you look at the working capital level, our working capital days are in line with the industry only, how we are kind of sort of converting our cash. That cycle is in line with the industry. Now, obviously, DBL, our business model, our way of working has been of one style for a very long time. It's a big ship. As we are turning around, as we are making amends to the way that we do things, as we also explore many sectors, it will take time. So, while there are amendments and there are different targets that we have, this also will keep on coming down over the next two years. To give you a target right now, because as the mix of projects change and all other things change, our strategies keep on changing around how we are doing projects. These all things will change. But it will be early for me to give a target. But yes, we are aiming for reduction of that also.

Parikshit Kandpal: I think this is one last thing which I mean, if you are able to tackle it, I think then there could be substantial --

Rohan Suryavanshi: We will, for 100% that is also a work in progress, and we are doing that work as well. So, you will see that will also keep on progressively happen over the course of the next two years. Like I mentioned, as we keep on changing the direction of the ship, this will also happen.

Moderator: Thank you. The next question is from Vishal Periwal from Antique Stockbroking. Please go ahead.

Vishal Periwal: Sir, a couple of questions. First, you mentioned on the coal side that we will do something like Rs. 5,500 crores kind of top line for the next three years, cumulative. So, is that fair to say, because the order book for this coal is Rs. 2,500 crores, which is kind of OpEx for the MDO. So, I mean, we can make an EBITDA of like Rs. 3,000 crores cumulative for the coal business for us?

Rohan Suryavanshi: Well, I am not sure what calculation that you are doing, but EBITDA we are not giving, sector wise breakup we are not doing.

Vishal Periwal: No, I think basically based on the numbers, I was just, whatever is shared by you, that's what like, Rs. 5,500 crores is the top line for three years. You mentioned Rs. 5,500 crores is what we will do for the coal MDO business.

Rohan Suryavanshi: At the SPV level, yes.

- Sanjay Kumar Bansal:** I am answering your question. Vishal ji, basically this Rs. 5,500 crores is the total revenue of SPVs. Out of that, Rs. 2,400 crores worth scope is given to DBL, balance scope is directly done by SPVs. So, it is not correct to say the EBITDA is Rs. 3,000 crores, it cannot be. So, there is only some scope given to DBL which is Rs. 2,400 crores.
- Vishal Periwal:** And second, you mentioned that optic fiber cable, 16 packages that we have bid, I mean like though the outcome will be known in times to come, but in terms of, is it like what exactly our role in this? Any JV that we have done, what is our share? Will it be okay to share that?
- Rohan Suryavanshi:** Sure. The site construction thing, which is trenching and laying of optical fiber, all those will be done by DBL's site construction operations.
- Vishal Periwal:** So, on our own we are doing it or it is in some JV whatever the order that we get?
- Rohan Suryavanshi:** It is an EPC project, sir, but it's a JV with Sterilite.
- Sanjay Kumar Bansal:** So, Vishal ji, the total optical fiber business, as Rohan ji said, the trenching and laying off optical fiber will be done by us. And balance like supply work, like optic fiber and routers and all will be supplied by our JV partner, Sterilite Optical. So, there is a split between both the partners, the scope is split.
- Vishal Periwal:** And maybe two bookkeeping sort of questions. So, in terms of tax rate, how exactly we see for FY '25 and '26 for us? This quarter it was something like 40% odd, so just thought to check.
- Sanjay Kumar Bansal:** Tax rate is around 33%, sir.
- Vishal Periwal:** So, it will be 33% for FY '25 and similar for next year, right, sir?
- Sanjay Kumar Bansal:** Yes.
- Vishal Periwal:** And then one last thing, even on depreciation, I mean, a sharp reduction that we are seeing. Is it just because I mean the gross block you are seeing a reduction, or you have changed the depreciation rate also?
- Sanjay Kumar Bansal:** There is no change in depreciation rate. The only reason is net block is reduced because we have not bought fresh equipment in last two years, whereas the depreciation is going on, so net block itself is reducing.
- Moderator:** Thank you. The next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.
- Vaibhav Shah:** Sir, in the equity tracker sheet, we have mentioned that the investor equity till June is Rs. 1,646 crores. So, what would be the same number as on March '24?

- Sanjay Kumar Bansal:** So, around Rs. 160 crores, Rs. 165 crores is invested this quarter. So, you can minus that from the total equity. So, it is say 1,800 minus 160, so around --
- Vaibhav Shah:** Sir, have we invested something in Siarmal in this quarter? I wanted the HAM equity as of March. In the last quarter presentation, it was for 16 HAM, so it is not comparable.
- Rohan Suryavanshi:** I know the reason for that, so we changed this because of feedback from market participants that maybe the way that we were explaining was not giving characters. That's why we changed this.
- Sanjay Kumar Bansal:** So, Vaibhav, you can see, there is Rs. 164 crores investment in Quarter 1 FY '25. So, you can minus from Rs. 1,800 crores, so it is Rs. 1,540 crores as of March 31st, 2024, out of 19 HAM projects and Siarmal.
- Vaibhav Shah:** So, investment in HAM project in first quarter would be how much out of that Rs. 165 crores? That is what my question is.
- Rohan Suryavanshi:** Sir, it's all largely to HAM projects only. Siarmal might be very negligible, less than Rs. 5 crores, I am guessing.
- Vaibhav Shah:** And secondly, the incremental Rs. 760 crores we would be spending, so that would be done from the standalone books now or some subsidies also would be investing, incrementally?
- Rohan Suryavanshi:** Sorry, some what would be investing?
- Sanjay Kumar Bansal:** Vaibhav, we are proposing to invest the balance equity from DBL from now onwards.
- Vaibhav Shah:** Sir secondly on the units which you are expecting the distribution from units of Shrem and Alpha, we have indicated the number. So, what will be the tax implication on this?
- Sanjay Kumar Bansal:** So, with tax wise the interest is taxable in the hands of the receiver at the maximum tax rate. So, if DBL is showing the interest then it is taxable at the DBL's tax rate. Dividend is free because same is into the old tax design. And then principal return there is no tax. So, we can say, out of the 13% 14% distribution from Shrem, the net tax return is around 11%.
- Vaibhav Shah:** And the same number for Alpha?
- Sanjay Kumar Bansal:** Alpha we have projected or estimated around 10 more percentage. So, the net tax return would be lower than even 10%.
- Vaibhav Shah:** And sir lastly, what are our CAPEX plans on the standalone business for FY '25 and '26?
- Sanjay Kumar Bansal:** FY '25 we can guide you now, because the total CAPEX would be in the range of Rs. 150 crores to Rs. 170 crores. Out of that, Rs. 30 crores is already done in Quarter 1.

- Vaibhav Shah:** And sir, earlier we had indicated that over a longer term, we are targeting EBITDA margins of 12% to 14-odd-percent on the standalone DBL. So, this year has been weak in the first quarter and we are expecting somewhere around 11% to 12% for FY '25. But once the execution takes up in say '26 or '27, over the next two to three years, what would be our margin trajectory?
- Rohan Suryavanshi:** Yes, sir. Once the order book is in line and once, we have good orders, and once the cycle goes back again, that is the margin profile that we think that is very achievable. And that's what we are targeting.
- Vaibhav Shah:** So, 12% to 14% looks achievable maybe over a longer term?
- Rohan Suryavanshi:** Yeah, yes sir.
- Moderator:** Next question is from Prem Khurana from Anand Rathi Shares and Stockbrokers. Please go ahead.
- Prem Khurana:** Most of my questions are already answered, just one small clarification on our financials that we have reported. So, in consolidated numbers that you have reported, the segment highlights, there was this Rs. 510 crores of loss in annuity projects and others. What exactly would this be? And even on the EPC side, the margin seems to be almost to the extent of 30-odd-percent, which generally used to be sub-10%. Would you be able to kind of clarify these two, please?
- Rohan Suryavanshi:** Which page are you referring to, if you would be kind enough.
- Prem Khurana:** The results released tender 15 of 19, the segment highlights consolidated.
- Sanjay Kumar Bansal:** Which page you are looking at?
- Prem Khurana:** 15 of 19 of the PDF.
- Rohan Suryavanshi:** So, I think probably what you are referring to is the losses that are on project during construction period. I think those are the ones because of IndAS rules. But why do not you have a separate call with my finance team to understand it in detail.
- Prem Khurana:** Because when I look at the comparable quarters, I mean, this number was not this large any time in the past. And even on the EPC side, Rs. 920 crores on Rs. 3,000 crores of top line again seems to be on the higher side versus you look at Q4 or Q1 last year was sub 10% sort of number. So, no worries, I will take it offline.
- Rohan Suryavanshi:** Why do not you take it separately.
- Prem Khurana:** One more small clarification, I think the money that we shared and was supposed to receive from the Alpha Alternators, right, for the 26% stake, Rs. 478 crores there is on Slide 27 is adjusted for the Rs. 160crores that we have received, right?

- Sanjay Kumar Bansal:** Out of the Rs. 478 crores, we received Rs. 190 crores this the quarter, current quarter in July 2024.
- Prem Khurana:** Rs. 190 crores in Q2, you are saying?
- Sanjay Kumar Bansal:** Yes, and balance will be received majorly in this quarter. And one asset probably may go to early next quarter. So, the balance revenue around Rs. 300 odd crores will be received during this quarter and early next quarter.
- Moderator:** Thank you. The next question is from Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, this InvIT distribution that we have spoken and what is there in the Page 26 of presentation. So, broadly, how one can look at in terms of how much this will come to standalone P&L because something will also go to DBL Infra also, so that can help in terms of percentage, broader percentage will help.
- Sanjay Kumar Bansal:** Shravan ji, out of these 18 assets, these units will come from DBL Alpha. 26% is held by Alpha, balance 74% is held by us. 51% is direct DBL and 23% by the subsidiary to DBL. So, directly in DBL you can see the ratio of 51:23 in total 74%.
- Shravan Shah:** So, broadly kind of 60%, if I broadly look at it, 51% of 74, broadly 60-odd-percent that we are doing. And for Shrem how one can look at?
- Sanjay Kumar Bansal:** Shrem 60:40, 60% DBL and 40% DBL Infra.
- Shravan Shah:** So, same way, for both broadly it is the 60% that we will be receiving at standalone?
- Sanjay Kumar Bansal:** Right.
- Shravan Shah:** And sir, though we have said, I just wanted to further clarify in terms of debtor, on the entire working capital obviously you have explained the inventory at that, wanted to reduce. But in terms of particularly the debtors, will it come back to the normal? As on March it was 48 days, so now as you are saying you have received some money, so in terms of by end of March '25 we will be having the similar 48, 50 odd debtor days?
- Sanjay Kumar Bansal:** Yes, Shravan ji.
- Shravan Shah:** And overall total whatever the increase has happened 15, 18 days, so that should also come back to the normal level in terms of the working capital days by end of March?
- Sanjay Kumar Bansal:** Yes, Shravan ji.
- Moderator:** Thank you very much. That was the last question in queue. I would now like to hand the conference over to Mr. Rohan Suryavanshi for closing comments.



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Rohan Suryavanshi: On behalf of the whole DBL family, I would like to thank all of you guys for coming here and asking your questions. In case the questions that we were unable to answer, if you were unable to ask, please feel free to reach out to us personally and we would be happy to answer any questions. I look forward to seeing all of you guys in our next quarter call.

Moderator: Thank you very much. On behalf of Dilip Buildcon Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.