DILIP BUILDCON LIMITED
INFRASTRUCTURE & BEYOND

February 21, 2025

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

Stock Symbol -540047

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

Stock Symbol –DBL

Subject: - Transcript of the Analyst/Investors conference call

In continuation to our letter dated February 11, 2024, please find herewith the transcript of the Investor conference call for Investor and analyst held on Saturday, February 15, 2025 at 10.00 AM. (IST) related to the financial results for the quarter and nine months ended December 31, 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

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"Dilip Buildcon Limited

Q3 & 9 Months FY '25 Earnings Conference Call"

February 15, 2025

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**

Moderator: Ladies and gentlemen, good morning, and welcome to the Q3 and 9 Months FY '25 Earnings Conference Call of Dilip Buildcon Limited 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 conference call, please signal an operator by pressing star then zero 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: Thank you, Alaric. Good morning, everyone. Welcome to Dilip Buildcon Q3 and 9 Months FY '25 Earnings Conference Call. From the management, we have with us today, Mr. Devendra Jain, Managing Director and CEO; Mr. Rohan Suryavanshi, Head, Strategy and Planning; and Mr. Sanjay Kumar Bansal, Chief Financial Officer.

Before we proceed with the call, let me mention the standard disclaimer. The presentation that we have uploaded on the Stock Exchange, including the interaction in this call, may contain certain forward-looking statements concerning our business prospects and profitability, which are subject to certain uncertainties. The actual results could differ from those.

Now I request the management to take us through the key remarks, after which we can open the floor for question-and-answer session. Now I hand over the call to Mr. Rohan Suryavanshi for his opening remarks. Thank you, and over to you, sir.

Rohan Suryavanshi: Thank you, Jill. 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. On behalf of the whole DBL family, I'd like to welcome all our partners for the quarter 3 and 9-month FY '25 earnings conference call.

To begin with, let me share some updates on the budget and sector. The current government has consistently focused on infrastructure development of the country and has played a pivotal role in positioning the country as one of the world's leading economies in the near future. This commitment has also created opportunities for millions of people across the nation.

In this budget, the capital expenditure allocation stands at INR1,70,266 crores for NHAI and INR1,16,292 crores for MoRTH. Other major allocations include INR1.5 lakh crores in interest-free 50-year loans to states for infrastructure projects for capital expenditure and reforms. Indian Railways has been allocated INR45,530 crores.

Ministry of Coal has been allocated INR750 crores. And additionally, an urban challenge fund of INR1 lakh crores will be established to transform cities into growth hubs while improving sanitation and water infrastructure.

To initiate this, the government has allocated INR10,000 crores for FY '25-'26. A significant emphasis has been placed on developing new greenfield airports across the country. All these different initiatives will not just help the sector to grow, but would also help in developing the country's infrastructure and boost the economy. In FY '25, the government plans to construct 10,400 kilometers of national highways with National Highway Authority of India targeting 5,000 kilometers. The government aims to award 12,900 kilometers of highway projects in FY '25, which is a 50% increase over FY '24, bolstered by the national infrastructure pipeline and the enhanced union budget capital expenditure.

The current government has plans to introduce a new mega highway construction program that aligns with the 2047 vision of our PM Narendra Modiji. The proposed program will establish clear criteria for identifying roads of national importance and also bring changes to the model concession agreement to expedite infrastructure development and minimize contract disputes and litigation. All these activities reflect the government's focus on the sector and on developing the country's infrastructure.

During the quarter under review, ordering activity has remained weak across all sectors, which has been the same case for this whole year. But going forward, we're expecting clearing a lot of the order backlog across infrastructure verticals as these orders have been floated. To discuss about our financial performance of the last quarter, our CFO will dive deeper in the following remarks, but I would like to provide some contextual perspective.

Just like for the industry, for DBL as well, order inflows have remained muted in the past 12 to 15 months, resulting to a decline of 16% in top line on a Y-o-Y basis and 12% on a 9-month basis as compared to the previous year. And although we are expecting strong order inflows in the next few months, the execution will take time to accelerate to convert in numbers.

Hence, we are expecting similar or better revenue run rate for the next year as well. As any EPC company, we have also been impacted due to low economies of scale, resulting in margin contractions. As and when our scale of operations will improve, our margin profile will also improve accordingly.

Now shifting gears and talking a little bit about our investment portfolio of HAM assets. As informed and discussed in the last quarter, we have fully concluded the Shrem InvIT deal. As per the deal, we have received the entire consideration in terms of cash and InvIT units. We continue to receive cash distributions of INR60 crores to INR80 crores per annum from the InvIT for our stake.

In addition, we will also continue to do the O&M of their assets for the life duration of those assets. As I have mentioned earlier as well, this provides us with long-term assured revenue stream. And this O&M revenue stream will keep on increasing as our own InvIT asset pool is also getting larger in size. On our own InvIT in partnership with Alpha, we are progressing as per the plan.

Till now, we have transferred 26% stake in seven assets out of a total deal of 18 assets. In these seven assets, we have received COD and annuity has started. In the eighth asset, construction is completed, and we have divested 25% stake and will receive PCOD very soon.

This will conclude the first tranche of the Alpha deal. Balance 10 assets are under construction as per the schedule and will be divested post receiving COD. Our InvIT formation process is also progressing well. We have received JB approval for forming the public listed InvIT, and we are hopeful of concluding that in the first quarter of this coming year.

Now coming to our coal business. Our coal MDO business is on an accelerated execution path. I'm very happy to report that we have achieved production of 17.45 million metric tons in the 9 months of the year as compared to our target of 22 million metric tons for the full year.

Be in mind, even the 22 million was a higher target that we had kept. But as announced in the last con call, we are on track to even beat that target by at least 10% to 15%, meaning we'll end up doing this year with almost about 25 million metric tons of coal production.

Finally, coming on our vision of DBL 2.0. I'm happy to report that both our long-term revenue-based businesses, that is coal MDO and HAM portfolios are progressing at a fast pace, which is going to provide us with predictable cash flows and improved return ratios with limited risk and downside.

As I've indicated earlier as well, going forward, when you look at DBL, you will have to look at the consolidated numbers to get a better perspective. The temporary challenges around the stand-alone business, which has been an industry-wide challenge because of low order book by the government in the last 2 years, we expect that to also improve going forward with the government focusing very significantly on infrastructure and continuing to press that pedal even further. So, you will see improvement happening in that side as well and all the other numbers that we had talked about.

Now with this update, I would like to hand over the call to our CFO for the financial overview. Thank you.

Sanjay Kumar Bansal: Thank you, Rohanji. Good morning, everyone. I welcome all our stakeholders to our earnings call. Let me present the stand-alone and consol results of Dilip Buildcon Limited for the quarter ended and 9 months ended December 31, 2024. Firstly, the stand-alone performance Y-o-Y quarter 3 FY '25 versus quarter 3 FY '24.

The revenue decreased by 16% in quarter 3 FY '25 to INR2,155 crores from INR2,571 crores in quarter 3 FY '24. EBITDA decreased by around 34% in quarter 3 FY '25 to INR210 crores from INR318 crores in quarter 3 FY '24. This is mainly due to lower revenue in quarter 3 FY '25. Profit after tax also decreased by 7.37% in quarter 3 FY '25 to INR88 crores from INR95 crores in quarter 3 FY '24.

On consol 9 months basis, 9 months FY '25 versus 9 months FY '24, the revenue of the company decreased by 5% in 9 months FY '25 to INR8,221 crores from INR8,646 crores in 9 months FY '24. The EBITDA increased by 37% in 9 months FY '25 to INR1,490 crores from INR1,091 crores in 9 months FY '24.

Profit after tax increased by almost 185% in 9 months FY '25 to INR563 crores from INR198 crores in 9 months FY '24. The increase in EBITDA and increase in profit after tax is mainly due to better performance of our MDO business and completed HAM assets and exceptional gains from the divestment.

Thank you all. And now we can open the floor for the questions and answers. Thank you.

Moderator: The first question comes from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Sir, first, just wanted to understand in terms of the awarding part and then for us also. So, 2-3 aspects to understand. One is how many value of projects that we have already bidded and yet to be opened? Second, how much are we planning to bid by March '25? And ultimately, so if I look at we have received two projects, INR2,100-odd crores till date and we were looking at INR15,000 crores to INR16,000-odd crores in FY '25. So now how much are we looking at? And if it is on the lower side, so for FY '26, how one can look at in terms of the order inflow for us?

Rohan Suryavanshi: Sir, till now, we have the orders that we've already sort of bid for is about INR20,000 crores already done, that we are waiting to open up. In terms of the order pipeline, INR130,000 crores pipeline is open, that we are kind of looking at. So that's one part of it.

Sanjay Kumar Bansal: And Shravanji, as you said, total order book, INR15,000 crores to INR16,000 crores, though the last 12 to 15 months, the order inflow is lesser. But based on the already ordered bidded and new opening, we think the target is getting INR15,000 crores to INR16,000 crores order from now till next financial year-end.

Shravan Shah: Okay. From now to end of March '26, we will be getting additional INR15,000 crores to INR16,000 crores net addition?

Sanjay Kumar Bansal: Right, sir.

Shravan Shah: Okay. So next 13 to 14 months, we will be getting that. But sir, don't we think that this is much lower. So even if we, let's say, this year earlier, wherein we were looking at INR15,000 crores to INR16,000 crores. So obviously, the kind of a similar number should be there for FY '26 also. So, net-net kind of a INR30,000-odd crores, INR25,000 crores, INR30,000 crores versus now we are saying just INR15,000 crores, INR16,000 crores by March '26.

Rohan Suryavanshi: Shravanji, we are saying that on a very conservative guidance because the orders have not floated till now by the government. The idea is obviously to be getting a lot more orders than this. But bare minimum, our still target will be to do this much. And this is a conservative estimate only as you have seen and you track the sector so deeply, you're aware that the ordering has been very muted. So, we are conscious of some of the external challenges in the sector. So based on that, we're saying. But our endeavor is definitely to do this much higher than this.

Shravan Shah: Okay. Because, sir, then the other question is obviously on the revenue front. So already, which is 12% on a stand-alone basis is lower in 9 months. So now if we are looking only INR15,000 crores, INR16,000 crores, so net-net, even if, let's say, INR16,600 crores already we have plus we have INR16,600 crores addition, so kind of a INR32,000-odd crores. And out of that for fourth quarter and in next year, how much then we can look at to do the execution?

Rohan Suryavanshi: Sir, so actually, just to sort of reiterate, create a number which we think of. See, right now, we're sitting in February and the government orders have not opened up. So, I don't know how much will open up in this year. So that has obviously had an impact. Now next year, when I say when we've said that 15000, 16000 crores. But there will be more addition to that, that will definitely kind of happen to that order inflow.

Now revenue's guidance that we are telling you, revenue guidance for next year we are saying it will be at least, like this year we think of, when we started the year that it will be better or like somewhere in that number because we were expecting a large order book.

As the year kept on progressing and we saw the government ordering being muted, we kept on revising that even this year's revenue guideline because we realized that the orders that were getting finished were not getting sort of supported by new orders that we would be winning. So, we revised that. So now the revision this year, we should be doing a revenue of about INR9,000 crores.

Now with INR9,000 crores, how do I see next year going? Next year, we are expecting similar kind of revenues because the orders that we have, we are at least very confident that this much orders going to come - current order book. And as the year progresses, we will modify the guidance as we see the government activity on a surer footing. So right now, all these are estimates and we were looking into the future.

If in the last year or a year ago, if you'd ask me, will this lack of ordering that happened in the year of the election, will that continue in the year after as well? I would have definitely not assumed by any stretch of imagination. But here we are standing and still the orders have not happened. And what it seems to be the delays, I'm not the right person to be able to answer that. Only the government can tell you that.

But when it comes to our revenue, I can tell you, okay, there is at least nearby INR9,000 crore visibility that we have of our own revenue given the orders that we have. Now going forward, as the orders will come in more, we'll do that. What this lack of ordering has done has also impacted our debt reduction program.

Now by the end of this year, we were expecting we would have reduced INR400 crores-INR500 crores more from last year's number. But seeing the current scenario it seems like a combination of less order inflow, a combination of lower revenue and a combination of receivables getting stuck, so these three things from JJM, have resulted in our debt not reducing in the manner that we expected it should.

So right now, we feel that our debt will come back to the same number as last financial year. This will be because we are expecting now JJM money from central government has being released. So that money that will get released, we're expecting some arbitration payments also to come in. So that will also happen. So all those different factors will bring it back to that.

And the idea of debt reduction that we had started with, that gets delayed by like instead of what we are thinking that we will finish it in this year and the next financial year, instead of that now, the next financial year and after that, we will be completely doing that. And like I said, our best laid plans have unfortunately not gone in with the way that we expected because our external environment was not supporting us in the way that we had planned the things.

Shravan Shah: Rohanji, just to get more clarity. So currently, we are in terms of the net debt having at INR1,277 crores at stand-alone. So, by March, we will be having the similar number of the December number? Or are we saying it will be similar to the March '24 number?

Sanjay Kumar Bansal: Shravanji, March '24 number was INR1,515 crores. Now as on today, the 31st December 2024, the net debt number is INR2,177 crores. And we are saying the March '25, we will close at the number where we were there in FY '24. So INR1,500 crores around we will be having the net debt.

Shravan Shah: Okay. And the net debt free that we were looking at that by FY '27, that remains intact.

Sanjay Kumar Bansal: Yes, yes. In FY '25, '26, we are expecting further INR500 crores reduction. So basically, the debt reduction plan basically pushed by 9 months to 12 months. So, what we used to do last year, we will do next financial year. So, by 31st March 2026, the debt will be around INR1,000 crores or even lesser than INR1,000 crores.

Shravan Shah: And then in FY '27, we will be a net cash kind of a company?

Sanjay Kumar Bansal: Yes, yes. Yes.

Shravan Shah: Okay. And just to get a more clarity here, so from currently close to INR600 crores, INR700 crores kind of a reduction in this quarter itself. So that is led by what, sir?

Sanjay Kumar Bansal: That is led by the collection of JJM receivable. And as Rohanji said, there are some arbitration payments in pipeline. So, with this cash flow, we will basically achieve the targeted net debt number.

Shravan Shah: Okay. And lastly, sir, two things in terms of the margin front. So currently, 10.5%, 4% for stand-alone EBITDA margin versus we were looking at some 11%-odd, 12%. So, is there a possibility of further improvement in the fourth quarter and even for next year, can we able to do this or 10% to 11%, that's the way one can look at?

Rohan Suryavanshi: So Shravanji, from where we started, the EBITDA has come lower because, like I mentioned, there is lower utilization of our fixed assets. The revenue that we had thought we will do, that number is not happening. And because our company model has always been more on our own assets. So, whenever there is a decline or dip in revenue, there will always be a consequential decline in EBITDA. And that is what has led in that. We are prepared to do much larger revenue than what we end up right now, we are ending up doing.

So as the revenue improves, the EBITDA will automatically improve. And you would have seen that in the past as well, and that's the same trajectory it will follow. Now waiting for how the revenue stream or the EBITDA will look, that is, like I said, right now, as the order book builds up, we will see that, and we'll give you better sort of clarity and guidance on that. As of now, that guidance of, I think, 10%, 10.5% that is happening is a safe sort of haven to kind of go forward with, given, like I said, the headwinds around where our current order book is and how much we'll be able to execute.

Shravan Shah: Sir, I have more questions. I will come back in queue.

Rohan Suryavanshi: Why don't you ask first and then…

Shravan Shah: Okay. Okay. No issue, sir. So, sir, the capex that we have done was on the higher side. So any specific project where we have done INR188-odd crore capex versus we were looking at INR150 crores. So, any specific project which has led this increase? And how now one can look at in terms of the fourth quarter and maybe for even if we are doing, let's say, INR9,000 crores kind of a revenue next year, so how one can look at from the capex perspective?

Sanjay Kumar Bansal: Shravan ji, whenever we speak on capex, we speak net capex. So, we said INR100 crores, INR120 crores at the start. So, there are old sale also. So basically, net basis, the guidance for next year is also similar INR100 crores, INR120 crores. This year also, the guidance basis the net number. So, we have basically purchased new equipment for the business.

Shravan Shah: Okay. Got it. And sir, in terms of now the 2, 3 aspects. So, one is the InvIT that by 1Q, we will be going for a public InvIT. So, will it get listed by June '25 itself?

Sanjay Kumar Bansal: Yes.

Shravan Shah: Yes. So, I was saying that the Shrem unit in this quarter, we have sold some units. So are we planning to sell more units or the balance we will be keeping?

Sanjay Kumar Bansal: So Shravanji, basically, as of now, we have no plan. But the cash flows management keeps on basically assessed. But as of now, there is no plan.

Shravan Shah: Okay. Got it. And sir, in terms of the MDO where we are doing very good. So, is there a way as a management, we are thinking so two, three aspects, whether to go ahead for a listing of that entity, subsidiary or JV? Or is there a way where we will be kind of giving a full-financial numbers and which can help us to capture that value?

Rohan Suryavanshi: So, to both your questions. So, number one, do we have a plan to list this in future separately? All those decisions will be made at the Board level, whether we feel what is in the best interest of our shareholders. And if a situation arises where we feel there is a significant value unlocking that will happen with putting it into a separate company, that's a different thing.

At this position, there is no such plan, and I'm definitely not in a position to be able to answer that. But at this position, I can tell you that there is no such plan. What we are doing in the DBL holistically is going well. But like I said, these things are always dynamic. And as the situation demands in future, we will take a call on that at a later point of time.

And the second part you asked about is there a plan to also give numbers separately? No, right now, the way that the company has been giving the numbers in terms of consolidated versus, that is the only plan. If there is any change in how we present the numbers to our investors, again, it will be a decision which the management along with the Board will take. And if there is any change, we will let you know accordingly.

Shravan Shah: Okay. And the remaining 10 HAM that we will be divesting to the Alpha Alternative, when this would be completed in terms of the execution front? Will it completed by FY '26, will be entirely completed?

Sanjay Kumar Bansal: Seven assets will be completed by 31st March '26 and three in next financial year after that.

Shravan Shah: Okay. Got it. And sir, do we have any tax-related kind of -- so on what we report on a stand-alone P&L level. So, these 9 months also, the tax number is on the lower side. So normal is like around 25%, but we have a 20.7%. So, is there any benefit or it is just mathematically way it is coming? So normally, one can look at only the 25% kind of a tax rate.

Sanjay Kumar Bansal: So Shravanji, you can see the significant part in the quarter is basically from the exceptional gains, and it attracts only capital gain tax. So blended basis, it is 20%.

Shravan Shah: Okay. Okay. But now in the fourth quarter, we will not be having any transfer because already just 1% is left in the last eight assets. So, whatever will be, it will be in the FY '26 that we will be transferring the assets, seven assets?

Sanjay Kumar Bansal: Shravanji, you rightly said this quarter will not have any further exceptional gains.

Moderator: The next question comes from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Sir, firstly, if we look at the nature of our finance cost, I think so there will be a lot of elements that are clubbed under it. So, if you could just give the breakup of on a consol level, INR320 crore finance cost split between BG, long-term borrowing and working capital requirement and our cost of fund currently, blended cost of fund?

Sanjay Kumar Bansal: Our blended cost of funds is around 10%, but basically, infra company has non-fund-based utilizations also, letter of credit and bank guarantees. So basically, the total cost in 9 months is around INR367 crores. And we expected this to be lesser in this financial year, but because of the utilization of additional working capital due to the delays in receivables, the interest cost is not reduced. So, it is INR367 crores, including everything.

Saket Kapoor Sir, I was looking at the consol number. Therein for this quarter, it was INR320 crores number and 9 months number are INR940 crores.

Sanjay Kumar Bansal: Okay. So, in consol, basically, first, there is Dilip Buildcon debt cost. And then we have some debt in one coal subsidiary and balance debt in 11 under construction HAM assets. So, it is addition of these items.

Saket Kapoor: Okay. Sir, what was the closing debt for DBL Infra? Last quarter, I think it was INR650 crores, if I'm not wrong. So how have the debts moved there?

Sanjay Kumar Bansal: So INR81 crores instalment we paid in November. So, now it is INR565 crores.

Saket Kapoor: INR565 crores.

Sanjay Kumar Bansal: Yes.

Saket Kapoor: And sir, what closing balance to be expected for March '25?

Sanjay Kumar Bansal: Sorry, I could not get. Can you repeat?

Saket Kapoor: What should we anticipate in terms of the further reduction for the fourth quarter?

Sanjay Kumar Bansal: Another INR80 crores, INR485 crores.

Saket Kapoor: Okay. Rohanji, you have alluded to DBL 2.0 and I think so the net cash company program was postponed by 1 year in your last call. So, if you could just give some more understanding in your journey for DBL 2.0, what are the current headwinds that we are facing in terms of -- I think so the order intake part and slow -- and the tendering process being slower from the government is well understood now by the market.

So, what's the thought process, sir, currently? Is it the only elections being only assessed on the premise of which this state of affair for infrastructure as a whole for the country has happened or is there any shift in terms of the government focus going ahead? Sir, just to allude to the fact DBL is not the only concern which is having this problem, whether they are ancillary companies in infrastructure or core facing or even a big giant like L&T, everybody is sounding the same tune.

And on the other hand, we hear from the government that they need -- they are pumping money and creating world-class infrastructure for its citizens. The tax buoyancy on one hand also reflects to the fact that there is a lot of traction in the economy, whether it is GST collection, whether it is direct tax collection.

So, where is this dilemma sir that companies who have put the infrastructure and created the workforce for creating the infrastructure are today not being able to get the awards. Forget the execution award pending which you said in the whole year the closing order book is lower compared to last year to this quarter. So, this election has become one aspect that we are not able to move from bureaucracy, please elaborate it sir?

Rohan Suryavanshi: You've asked me a very tough question in terms what is the reason of the government because honestly, I can tell you what historical data tells and based on which we make our best assessments of how the future should or would look like. Historically, for the last 25 years, this was always a trend that the election year the orders dry up. The government doesn't focus on giving out new orders and the focus is on completing, ribbon cutting, etcetera.

And that's a trend that has been very fairly established since the Vajpayee ji era because that's when infrastructure building really took off in India. Before that, because it was not such a big thing, you could not really find very significant number, but since that time to now we've seen that trend repeat over and over again.

And whether that happens at the state level or the central level, it's the same kind of trend that keeps on repeating. So, when we stepped into last year and the election year, we realized that there would be those challenges. However, we did not expect that those challenges will continue even like post 9 months of the new government sort of also forming in.

So when we hit March or like even right now, we are almost there at 9 months, and this has happened. Now why that has happened and what the government is thinking, I'm actually not in a position to say when a combination of factors or whatever their challenges are or whatever their focus is on. There have been different changes at the top in NHAI, MoRTH.

While we were lucky to have the same minister continue, there are obviously different, different teams below have kept on changing and moving, but whatever is the thought in North Block, I'm actually not best placed to answer that, But I can tell you what our vision was when we started or when we spoke about DBL 2.0, which was born out of the, I guess, the despair of COVID when things were looking very bleak across economies, across the country, across the sector.

We had people stuck across the country. So, when we started analyzing the issues and the challenges that plague the sector, we made a list of things that we as a company need to be mindful of. The situations can change slowly and they can also change suddenly. COVID was a sudden change. Slowly, things that will happen is competition will catch up. There will be no orders inflow.

There's so many different, different things that will kind of happen. So, as we looked at the sector, we saw what are the things that we as a company need to kind of focus on, which will give us and when I say us, I mean the shareholders the best return and which will also create a company that will be as shock proof for most of these things. You can't always mitigate all the challenges and risks that you will receive as a company. But you try and do the best possible job so that there is less volatility.

So that's how it happened. So, the things that we looked at was the volatility that was causing the standalone level -- debt levels we realized that, while we a very capex heavy model, going forward we didn't want to kind of do that at the standalone level. We wanted to improve on the credit rating of the company. We wanted to improve on the productivity.

We wanted to make sure that we are spending less and less money in paying interest and putting more money at the parent level and creating more and more free cash. So that was the idea. So that number one reducing debt; number two focusing on building long-term revenue streams that was a very, very important bit of it. And for that, we realized just a purely EPC business will not do that because our orders will only have a visibility of 2 to 4 years of any kind of EPC order.

And that will never give you that long-term sort of predictability of cash flows that you want. So that's where both the coal business and the InvIT business and looking to partner with Alpha sort of came up and came to our mind that we will want to continue this and continue to have cash flows. The long-term goal is to keep building our long-term cash flows and eventually come to a place and position where long-term cash flows and profitability is more than 50%, more than 60%, more than 70%, keep on increasing that pie.

So, while we continue to do our EPC business with our current asset base and with small sort of improvement capex happening every year. Like we mentioned, the capex earlier, DBL used to do INR400 crores, INR500 crores plus of capex every year. Now we only do INR100 crores and around that number. So, our focus is to only do replacement capex for the next few years, keep doing the max that we can juice out from our assets, keep reducing the debt, keep building the free cash flow, keep building the consolidated business at the site and keep improving the return ratios.

So, our ROE, ROCE, those are the things that we are kind of focusing on as a company. And that you will keep seeing initially, like I said, you will keep seeing that improvement first happening in our consolidated P&L like the coal is an SPV, separate SPV, profit gets captured there, some gets captured at DBL level. Similarly, when you do the InvIT things and some of the assets that are housed outside, so they will be getting captured.

So, all of these different, different things the money that will keep getting thrown into the company will be getting captured on a consolidated basis. The only thing right now that we have as a company struggled with or like you mentioned everyone in the sector has struggled with is order inflow. And because order inflows have been weak, the standalone numbers have not been to our expectations, but as and when this wrong gets righted upon we are very sure that we will accelerate on our path that we spoke about.

Saket Kapoor: Sir, since we are already third-third into – half into the quarter I think 45 days into the 15th term. So, is the same line of thoughts in terms of ending and all continued for us? There is still a lack of order inflow for the 45 days. And how is the execution cycle shaping up for this quarter, sir? If you could give some understanding on the stand-alone part, how will this quarter shape up?

Rohan Suryavanshi: Sir, so when it comes to ordering inflow, it is anyone's guess how much more the government will sort of release by the end of this financial year. We are hopeful that more and more orders open up. But we can't say for sure when will they finally sort of open those tenders. Like I mentioned earlier as well, we have already bid for about INR20,000-plus crores of orders that we're awaiting opening. So, let's see when those open.

There are others that we're also bidding for. So again, not in a position to tell you that. Though I can definitely tell you the coming quarter, the numbers that we have done in this quarter, those are the kind of similar numbers we will be doing in quarter 4 as well that -- we're kind of expecting that run rate because that is the kind of order book that we have in hand right now. So that I can tell you that will be in that kind of range.

Saket Kapoor: Okay. And the consol will look slightly better since the execution for the MDO contribution would be higher for this quarter or at similar levels?

Rohan Suryavanshi: It will be at similar levels, because that pace of MDO has already taken up, yes.

Saket Kapoor: Sir, secondly, sir, Mr. Rohan Suryavanshi: and all are related to the promoters or they are only professionals for the organization?

Sanjay Kumar Bansal: So Rohanji is part of the promoter group.

Saket Kapoor: And Mr. Karan Suryavanshi, he is also belonging to the promoter group?

Rohan Suryavanshi: He is also part of the promoter group.

Saket Kapoor: Karanji is on the call today?

Rohan Suryavanshi: No, he's not on the call, sir.

Saket Kapoor: Okay. Because sir, as per his profile, he is for the planning and the licensing with the government part. So, I thought if sir was looking to us, he would have given more color on what the...

Rohan Suryavanshi: Sir, I think that is a different forum to discuss that. Is there are any general questions...

Saket Kapoor: My Point -- specific question is there, sir. When we look at building the organization and other part, what other efficiencies can be built in that we can also declare our results earlier than at the feb end...

Moderator: Sorry to interrupt, sir. If you have any further questions, please rejoin the queue so the management can address...

Saket Kapoor: Allow me to complete -- hello?

Moderator: Yes, sir.

Saket Kapoor: I can complete?

Moderator: Okay. Please have this as your last question, and then you can rejoin the queue.

Saket Kapoor: Yes, last question only, sir. We as investors would like to understand since the organization is large, we are putting into the right steps to build a new organization 2.0. Why are the results are always at the fag end? Means why at 14, 13 of the ensuing quarters, we get to know about the numbers. Why not as the size of the business is good, we have the systems in place? Why are not the reporting happening within 25, 30 days of the ensuing quarter? Why at the fag end, sir?

Rohan Suryavanshi: Sir, the results are always taken and presented once the Board members and a lot of other factors that come in. Also, bear in mind that ours is not a tech company, like when you see all the sector sector-wide, the numbers, how they are reported, we will also be reporting in a similar kind of time line. There may be some day maybe sometime we may be earlier, sometimes someone else may be later.

But if you look at the general trend, we are at the same level as everyone in the sector. I can't compare with any other sector. When we're comparing apples, we have to compare with apples, not with oranges. So, it will be in the similar line as we are, even though we have all the SAP and all the systems there.

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

Shravan Shah: Sir, just to clarify, sir, you mentioned that the DBL Infra debt is reduced by INR81-odd crores and is around INR565 crores.

Sanjay Kumar Bansal: Yes.

Shravan Shah: Okay. And then further INR80-odd crores kind of a reduction in the fourth quarter?

Sanjay Kumar Bansal: Yes.

Shravan Shah: Okay. Okay. Got it. And second, sir, in terms of the current INR16,600 crores order book, how much of the value where we have still not received the appointed date?

Sanjay Kumar Bansal: So total, there are 2 projects. One is Thoppur Ghat Ham project and another is Zuari Observatory Towers. There are 2 projects where appointed date is awaited.

Shravan Shah: Okay. Got it. And sir, in terms of the inventory level, obviously, that's the main thing we are also trying to reduce. But it is still not happening to the way it should be, though our revenue is on the lower side, the absolute or maybe in the day terms also, it looks similar. So, is there a thing that we are planning to maybe not have some part of the inventory, which maybe because now we are not having a kind of a growth that needs such inventory even for next year also when we are seeing the similar kind of a number, then why not to release some working capital from the inventory?

Rohan Suryavanshi: Shravanji, is our endeavour, like we mentioned earlier while we're focusing on all different areas of the company to keep reducing this as well as our model keeps shifting. But given that we still have all our equipment, which is doing all this job in-house, and there is a significant life there. So, the model will not change overnight. But there are changes that we are making and those changes will show gradually the thing that will happen.

In terms of working capital days, where we are at is very similar to where the industry is at. So, this model that we had done was not only done for growth when it came to sort of doing things in-house. It was also a factor of taking complete ownership of a project, completing it within time lines and building strength in-house rather than relying on someone else.

So this model had not been born for a hunger or thrust for growth that we were doing that. In that case, actually, we would have relied on partners to do it. It was actually based on necessity where at that time, the ecosystem was not supportive enough to be able to provide all that we needed to do. So, which is why we had to take these matters within our own hands.

But rest assured, it is one of the key things that we as a company are also looking at. As we look at improving our return ratio, this is a part of how we will do that. And it's a journey. So, bear with us on that, but it's a journey, and it will take that time. And you will see improvements happening on it along the way.

Shravan Shah: Okay. And sir, this InvIT when we will be listing, sir, it will have all the Alpha alternative 18-odd assets. So, whatever initially will be the -- where we have achieved the PCOD that will get listed. And as and when the other assets achieve the PCOD, it will be part of that InvIT. That's the way, or entirely the 18 together will initially get -- will be part of the InvIT and get listed?

Sanjay Kumar Bansal: So Shravanji, you are right. First, the completed asset where we have already transferred 26% will go in InvIT. And second part, on a progressive basis, the other assets will also basically go into InvIT. But at the same time in previous calls also, this InvIT is set up for our DBL assets and the InvIT will basically eye the assets from market also. So, from market also, there will be a few assets in the InvIT.

Moderator: The next question comes from the line of Pranav Furia from Antique Stock Broking. Please goa head.

Pranav Furia: I just wanted to understand, sir, is there any vertical specifically that you can target so that the time lines between L1 and the actual execution is lower and can help you with FY '26 revenues itself?

Rohan Suryavanshi: Sir, there is no new vertical that we are particularly looking on chasing that will kind of do that. There are already eight, nine verticals that the company is operating in. Each vertical has its own pros and cons. The idea for us as a company, whenever we've gone into a vertical has been that we try and utilize our equipment bank in all those areas, where our manpower skills, our equipment bank, our experience of working in the state and with the agencies also comes to help and support that. So that is how we kind of go into it.

There is no specific agenda and plan that where bidding -- from the bidding -- bid winning to execution pace kind of will be the deciding factor for us to choose a sector because those things are out of our control totally. In large infrastructure projects, there are a lot of government agencies involved. There are land acquisition challenges. There are multiple sort of things that you look at. So that is never the decision-making criteria for us as a company.

Pranav Furia: Got it. So, sir could you just highlight one or two sectors from the current order book, which have the lowest time gap between L1 and execution historically?

Rohan Suryavanshi: So, it all depends on project to project. Like I said, there can be times where you could have started even a road project where there was great clearance, like I'll give you the quickest that the company has done a road project has been 6 months. So, it was a 2-year project, which was completed in 6 months.

And we won a lot of early completion bonus in that. So, there you can't say. So now imagine from the date of appointment to finishing a project in the next 6 months versus it was done in one fourth of the time because everything was clear, given and we could do that kind of execution. So, it all depends on multiple factors. It would be misleading to give you this is what would be the best.

Moderator: The next question comes from the line of Sanjay Parekh from Sohum Asset Managers Private Limited. Please go ahead.

Sanjay Parekh: Yes, yes. So, one is in our coal subsidiary, we've done very well. So, is there scope for further contracts? Or I mean, we are at a 25 million run rate, which is commendable and our target is to go to 50 million. So, the question I have is, can we get more contracts on this? And secondly, are we on a run rate of 50 million plan that we have?

Rohan Suryavanshi: Sanjayji, we are very actively looking at this sector. It's a sector that we have been there in for the last 7, 8 years, and we have expanded and significantly ramped up our presence in it. So we are constantly looking for coal projects, both domestically and internationally to kind of keep supporting -- it's a sector that we've now understood pretty well, and we want to do that.

Now in terms of run rate, the plan for both the MDO's is ramping up. See, there is Pachhwara MDO and then there is Siarmal MDO. Pachhwara, we are already doing at peak capacity. In Siarmal, every year, we have to keep increasing the capacity over the next 3 years. So that is happening, that is happening at an accelerated pace. And we will continue to sort of increase the coal sort of output every year.

Sanjay Kumar Bansal: Sanjayji, to add to Rohanji, in Siarmal, already the peak requirement is 50 million ton. So, this year, we are ending at 18 millions ton, next year, 25 million and so on in FY '28 the peak capacity, 50 million ton will be achieved. So, with these two MDOs, we are already at 57 million, and we are looking for new projects as well.

Sanjay Parekh: Sure, sure, sure. Secondly, our target of final InvIT value of our share of INR4,000 crores in 2.5 years, are we on track on that?

Sanjay Kumar Bansal: Sir, the number as given in the previous call is there. However, final valuation is underway once the InvIT document is filed, but we are having the similar kind of number.

Sanjay Parekh: Yes. So, it could be INR200 crores, INR300 crores here or there. But broadly, the price-to-book multiples that we have agreed upon, broadly should take us through a final equity value of INR3,700 crores to INR4,000 crores.

Devendra Jain: Sanjay ji, the multiple will not change, the change is only due to some de-scope on the BPC value. So, around that, it is still same. If somewhere, like at the end of a project, there is a de-scoping of INR50 crores – INR60 crores altogether, then BPC will change and accordingly BCC will be changed. So, the valuation of INR50 crores-INR100 crores is up and down. The multiple is the same.

Sanjay Parekh: Sure. And one basic thing, 26% you transfer in these other assets and 74%, when it becomes a public InvIT also you transfer in that. Is that the way? I'm just not clear on that. The balance 74%...

Sanjay Kumar Bansal: Sir, basically, the deal with Alpha is basically, we will sell 26% in two buckets, eight assets first and then 10 assets. And Alpha will transfer their 26%, and we will transfer our 74% in the InvIT.

Sanjay Parekh: Okay. Got it. Perfect. And the last one, I mean, you did discuss on order inflows not happening. And of course, a bit of it is government related. So, because our is a high fixed cost of our own equipment, our own manpower, which works in a cycle, which is really roaring because your efficiency and margins can get better.

But if you were to go asset-light and people-light over a period because we are cyclical in order inflows, the industry is in a cyclical way. So, can we do it or it is difficult to change over a period of time, not 1 year, but 3 to 5 years, is it possible or no?

Devendra Jain: Already, Sanjayji, if you see the company in the last 3-4 years, we have adopted diversification and asset light model to de-risk. In every place if you combine revenue versus equipment, then there is different setup equipment in Jal Jeevan Mission, different in dam, different in road. So, in this way, asset light versus company asset, we have worked on a combination of hybrid models and the best way to de-risk it is that you should diversify.

In 5-6 years we have diversified in nine sectors, in the similar nature of the work like concrete batching plant, we use in dam, we use same in Jal Jeevan Mission. In this way combining asset light and company asset we already are working on hybrid and this is the reason we not invested in equipment for last 5-6 years.

Sanjay Parekh: Sure. And the last one, while, of course, all of us are disappointed with the government coming back on order book. But do you think Jan onwards because we do see now numbers coming up in terms of since they also have to spend as per the budget. And for them to revive also, they have to give orders. But you are on the ground. So, at state and center, do you think 6 months ahead, things will be really good? Or you think it will be still a little slow and steady because that's important, Devendraji. If you can guide us there?

Devendra Jain: Sanjayji, if the projects are not floating then there is worry. The NHAI has already floated INR1.3 lakh crores bids due to different regions because of land scarcity and clearance is happening, 100% this activity will get faster reaching till Q1. We only worried if there is no bid activity. So, we are not much worried about the state government projects, if we look at the central government's bid process, there are a lot of bids in the pipeline, the government hasn't declined in the budget, they have given a little more budget for FY '26, so I see the activity getting faster till Q1 on the ground, if I can tell you from my experience.

Sanjay Parekh: Okay, and the last one, the states like Pyari Bena and all the populist schemes, do you feel that their ability has decreased because of them, state-wise, because other than roads, NHAI and MoRTH, our other verticals, the states that we are working in, do you think that things have got stuck and will take time or you think there also you are seeing state-wise things getting better?

Devendra Jain: It depends on the state, which ruling state or which party's state rules, but the state government-based limited projects that we have, in Jal Jeevan Mission projects, 75% of India's participation is already there, so that is fine. Now, in Gujarat and other states, state-related projects, I don't see any funding problem, the rest of the Ladli Behna schemes that you are talking about, in the future, their impact will definitely be seen somewhere, but our DBL's strength, we usually target central government and central government funding-based projects only.

Moderator: The next question comes from the line of Bhavin from Anand Rathi. Please go ahead.

Bhavin: Sir, just wanted to understand what is the proceed that we received on divesting 25% stake in one of our HAM projects?

Sanjay Kumar Bansal: Total from Alpha against eight assets, we received total INR457 crores money.

Bhavin: Okay, sir. Got it. And sir, I understand you briefly mentioned, but just wanted to understand how are we going to transfer the asset to the InvIT? Are we going to transfer entire 74% or we will retain some part of the SPV even after the InvIT is formed?

Sanjay Kumar Bansal: No. 100% will be transferred to InvIT. 26% Alpha will transfer, 74% we will transfer. So, there will be no case Alpha or DBL will have some equity out of those assets.

Bhavin: Okay. And just one more point from the balance sheet perspective. So, once those assets are transferred, 74% stake is transferred, so then will this be accounted as a subsidiary or will be accounted as fair value investment to P&L? How...

Sanjay Kumar Bansal: Fair value of the InvIT units.

Moderator: Ladies and gentlemen, the next question comes from Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: So, my first question is on the coal part of the business, right? So, I was checking our H1 numbers, it was around 10 million tons, which has now increased to 17.5 million tons, which is, I mean, a huge increase, if I have to see. I understand there is seasonality in the business. But can I understand what part of our sales and EBITDA for quarter 3 FY '25 accounts from coal?

Rohan Suryavanshi: So, we don't give out vertical-wise EBITDAs. We give a mix blended number only.

Vignesh Iyer: Okay. Okay, sir. Sir, also coming to the interest part of it, I heard you earlier when you said that there was some increase in working capital primarily due to receivables. So, sir I was going through the last year's annual report, and I see under the aging schedule, there are certain receivables which are more than 3 years, which accounts to around INR1,950 crores.

Since then, I mean, from quarter 1, quarter 2, we have consistently seen increase in our interest outlay at the consolidated level. Can I understand how the aging schedule has panned out in the last 9 months? And what kind of numbers can we look forward to in an FY '25 annual report?

Sanjay Kumar Bansal: So Vigneshji, on one-to-one basis, we will discuss these numbers. But however, if there are old debtors and not receivable, we have made sufficient provisions as per the provision metrics.

Moderator: Ladies and gentlemen, that brings us to the end of the question-and-answer session. I would now like to hand the conference over to Mr. Rohan Suryavanshi for the closing comments.

Rohan Suryavanshi: On behalf of the whole DBL team, I'd like to thank all the participants who came today and asked questions. In case we were not able to answer all your questions, please feel to reach out to our team at S-Ancial or our internal team at DBL, and we will be very happy to answer any more questions that you guys have. Thank you, and I wish you guys a great year ahead.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Dilip Buildcon Limited, that concludes this conference. You may now disconnect your lines.