DILIP BUILDCON LIMITED
INFRASTRUCTURE & BEYOND

November 14, 2023

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 November 03, 2023, please find herewith the transcript of the Investor conference call for Investor and analyst held on Wednesday, November 08, 2023 at 11.00 AM. (IST) related to the financial results for the quarter and half year ended September 30, 2023, conducted through digital means.

The aforesaid information is also being 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,
Sincerely yours,

For, Dilip Buildcon Limited

Abhishek Shrivastava Digitally signed by Abhishek Shrivastava Date: 2023.11.14 16:00:22 +05'30'

Abhishek Shrivastava
Company Secretary
Encl: Transcript of call

"Dilip Buildcon Limited

Q2 and H1 FY '24 Earnings Conference Call"

November 08, 2023

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 LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Dilip Buildcon Q2 and H1 FY '24 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 conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note the 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, Mr. Akshay. Good morning, everyone. Welcome to Dilip Buildcon Q2 and H1 FY '24 Earnings Con Call. From the management, we have Mr. Devendra Jain, Managing Director and CEO; Mr. Rohan Suryavanshi, Head - Strategy and Planning; and Mr. Sanjay Kumar Bansal, CFO. Now I request the management to take us through the key opening remarks. After that, 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. Good morning, ladies and gentlemen. A very warm welcome to all of you for the Q2 and H1FY '24 earnings call of Dilip Buildcon Limited. 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.

Before I begin, let me mention our 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 the actual results could differ from those in such forward-looking statements.

Let me now share some insights on the macroeconomic environment of the sector and give you some company update as well. Following that, our CFO, Mr. Sanjay Bansal, will present the financial update of the company, post which we will dive into the Q&A session, as Jill updated you.

So the global economy faced a slow down due to shifts in global geopolitics and rising oil prices. Although headline inflation is showing signs of improvement, it continues to surpass targets in major economies. In contrast, the local economic landscape displays resilience supported by a robust domestic demand.

Agriculture activities in Q2FY24 maintained their momentum despite uneven monsoon patterns. The Government's gross GST collection grew 11% Y-o-Y for the H1FY '24 and stood at INR 9,92,508 crores.

Now moving to some updates for the sector. For the half year ended September 30, 2023, MoRTH have constructed 3,567 kms and awarded 2,286 kms. MoRTH aims to accomplish 91% of the GBS capital expenditure outlay by December '23, targeting an annual sum of INR 2,58,606 crores. And as of September 23, the expenditure reached INR 1,62,220.86 crores, which contributes 62.7% of the annual target. So, you can see the Government spending is going at a good pace.

According to the Ministry of Road Transport and Highways, the sector's health has significantly improved, bolstered by various policy interventions. The Indian Government renewed commitment to fostering public private partnerships in the road construction can be seen in their constant support to the sector. The Government plans to award INR 2,00,000 crores worth of BOT project by March '24. Projections indicate that India is on track to achieve record net toll collection of INR 67,000 crores by the end of FY '24.

The ministry has also announced the Government's extensive plan to construct 10,000 kms of greenfield expressways nationwide, amounting to a total cost of INR 4,50,000 crores. This initiative aligns with the overarching Bharatmala Pariyojana, aiming for a comprehensive 65,000 kms highway development program across the country. The initial phase focuses on our road network spanning 34,800 kms.

The honourable minister also highlighted the successful financial strategies employed by NHAI, generating over INR 70,000 crores through innovative financial modelling. This includes INR 26,000 crores from BOT model and INR 10,000 crores via the NHAI InvIT, and INR 34,000 through securitization via SPVs. According to a recent report, the National Highway Authority has the potential to monetize around INR 2,00,000 crores from its HAM assets between fiscal 2024 and 2027.

Now let me shed some light on the recent developments on the company side. I am very excited to tell our partners about the new development and direction for our company. DBL 2.0 is a vision which was down after the turbulent times of COVID. We looked at all the challenges we face what was the most unprecedented event if all our lifetime and deliberated on the way forward for us as a company and management.

As you all know, our business is a cyclical business, and we are heavily dependent on the state of the economy and the Government spending capacity. Knowing these facts, we aligned our goals to the reality of an uncertain world with a view to reduce the volatility in our business and ensure smooth predictable cash flows in future. One of the key focus areas of our strategy is to make our balance sheet leaner and lighter as we have already stated in the past as well.

In continuation to that, we have reduced about INR 300 crores of debt from the FY '23 levels and are on target to reduce a total of about INR 800 crores to INR 1,000 crores from FY '23 to FY '24, as we had stated on our last call. That would take our net debt to somewhere in the range of INR 1,300 crores to INR 1,500 crores by the end of this financial year. Our target is to make DBL a net debt-free company by the next financial year.

A company like us, which has been known for our large capex commitments, had taken a conservative choice that we will now focus on improving our cash flow. We will focus on reducing our capex and monetizing our assets. In that same breadth, we also decided that our large big target is to have both long-term and short-term revenue streams contributing to our top line and bottom line.

Our EPC work is the short-term revenue stream, and our asset business will be our long-term revenue stream. With that goal, we have decided to set up our own InvIT with a reputed financial partner. Think of this partnership on the line of an Embassy and a Blackstone REIT where one partner brings in the financial experience and the other partner brings in operational health. DBL has had a long and storied track record of winning and building the biggest percentage of HAM projects awarded by the Government until now.

In terms of numbers, we have won 37 HAM projects worth INR 45,000-plus crores till date, out of which we have sold and divested 19 projects worth INR 24,000 crores. And currently, we are left with 18 projects worth INR 21,000-plus crores. It is DBL's strength to do EPC, and DBL will always keep winning good projects on the PPP model. Hence, what we want to do is that, going forward is we want to retain the EPC profits at DBL and make sure that we return the invested capital of equity as soon as possible to the parent.

At the same time, we want to set up a permanent mechanism, where we're not always looking for a buyer to sell our projects to. Because this way, we realize we can also maximize the value for our company and our shareholders. This InvIT will be a milestone for us as it will not only give us a committed buyer for our own future assets, but it will also open a new stream for us to look at asset business opportunistically.

The level of commitment of our financial partner can be gauged from the fact that not only are they partnering with us on the InvIT, but they're also taking a significant minority stake in the company as they see a good value unlocking happening at the company level as we become a net debt-free company in the next financial year with a top line of INR 11,000 crores-plus and operating in 8-plus sectors of the infrastructure business.

We will be the most diversified company in that kind of revenue stream amongst all the EPC companies, where all the different businesses are contributing a significant percent to our revenue. And that is what excites our partner as well as we see significant investments by the Government in the infrastructure sector and us being a beneficiary of all those investments, whether it is in roads, whether it is in waterways, whether it's in mining, whether it's in metros, airports. So, all the different sectors that DBL is currently operating in, there is a decent amount of work that will be coming. And that's how Alpha Alternatives, who is our partner is looking in the EPC business.

Let me also give you some brief information on our partner, Alpha Alternatives, while we've attached some information on them on the presentation. I'm sure a bunch of you already know them. So Alpha was founded by Mr. Naresh Kothari, who was earlier with Edelweiss and worked very close with Mr. Rashesh Shah in setting up and building the Edelweiss business. He is supported by a team of very experienced professionals, all of whom come from IIT, IIM kind of background.

Currently, they manage about INR 10,000 crores of assets under management, and this is managed under different demand verticals that they have. They have a track record of setting different verticals for different businesses with different risk return appetite for different kind of investors. They were very excited about setting an infrastructure vertical where they see us partnering with them, not just on the road, but also other sectors going forward as the

Government opens up more and more sectors into the PPP model. That is how these partnership came in.

Let me also give you some brief about the deal. So, the total value that DBL is expecting through this partnership in terms of capital coming from Alpha is about INR 2,000 crores. Now this is divided into 3 different buckets. One is the warrants, so they're taking up to 10% stake in the company at a price, which is defined by the SEBI methodology. Along with this, they're taking 26% stake in the 8 HAM projects, which are either completed or almost about to complete in this financial year.

And they will also be taking 26% stake in the balance 10 under construction HAM projects. To these 3 buckets, they will be pouring in about INR 2,000 crores of capital in DBL. And this money will come in this financial and the next financial year.

In FY '24, we're expecting about INR 700 crores-INR 800 crores of capital coming in from them. This is divided between the 25% warrant that they will come in and the 26% stake that they are taking in the first 8 HAM projects, so majority of the money in that will come in this FY '24.

In FY '25, we expect another INR 1,200-1,300 crores to come in. This will come in, in the balance value of the 8 HAM projects currently that are developed, plus the 26% in the 10 HAM projects that are currently under construction and the 75% money of the warrants. So, this is the break-up INR 2,200 crores. Along with this, what DBL will also get in FY '25 is InvIT units of about INR 2,500 crores to INR 2,600 crores that will come to DBL for the first 8 projects. In FY '26, as our other 10 HAM projects are to be completed, we will get another INR 1,300 crores to INR 1,500 crores of InvIT units.

So, to summarize, DBL is getting through this deal about INR 2,000 crores of capital from Alpha, plus about INR 4,000 crores worth of InvIT units. Now these InvIT units will translate into a cash of upwards of INR 400 crores per year for DBL.

So, as you can see, our idea and agenda is that, the EPC business giving us regular business, plus making sure that we are taking off whatever invested capital DBL has put in these projects, plowing it back to the company via this deal. Plus, the leftover, we are trying to make sure we maximize and set up a long-term revenue stream, which will be the InvIT units and the cash that they will keep on providing.

As our EPC given business keeps on growing and the PPP projects that we keep on building keep on increasing, we will keep adding more and more units into our InvIT. We will also be looking at other project opportunistically of other players, and it will all depend on whether they meet our IRR hurdle, and that's the idea of this partnership.

It is a monumental change and shift for us at everyone at DBL, and we're very happy to share this information with all of you. Now let me hand over the call to our CFO, who will give you insights and comments on the financials of the company.

Sanjay Kumar Bansal: Thank you, Rohan. Good morning, everyone. I welcome all our stakeholders to our earnings call for the quarter ended September 30, 2023. Let me present the results for the quarter ended September 30.

During Q2 FY '24, the company has completed 4 projects, that is a greenfield airport at Rajkot on EPC side of INR 570 crores and 3 HAM projects on National Highway, that is Dhrol-Bhadra Patiya section, of INR 538 crores. Further, during Q2 FY '24, the company won 3 projects across 3 sectors, that is irrigation, water supply and urban development, aggregating to INR 19,423 million.

Now moving from business to financial performance. On a Y-o-Y basis, the revenue of the company increased by 7.30% to INR 24,270 million from INR 22,619 million, which is due to better execution of the projects. On Y-o-Y basis, the EBITDA of the company increased by 12.82% to INR 2,935 million from INR 2,613 million. The EBITDA margin increased on account of better execution of the projects and reduction in the prices of construction materials.

On Y-o-Y basis, the profit after tax increased by 86.45% to INR 1,197 million from INR 642 million. This is mainly on account of better EBITDA margins and exceptional income from sale of equity of few HAM projects to Shrem InvIT during the reporting quarter. Now let me take you through some important balance sheet items.

During first half FY '24, the company has reduced long-term and short-term debt of INR 300 crores which in line with our projection. The net debt equity ratio improved to 43 basis points at the end of Q2 FY '24, vis-a-vis, 52 basis points at the end of Q4 FY '23. The debtors also decreased by INR 2,615 million to INR 16,018 million at the end of Q2 FY '24.

Thank you. Now we can open the floor for the questions and answers. Thank you.

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

Shravan Shah: Congratulations on signing the deal with Alpha Alternatives. So before asking the question on this Alpha Alternatives, just understanding the broad guidance or the basic numbers. So first, on the revenue and margin guidance. So, on the revenue, we said 8% to 10%. We have done 3% in H1. So, for the second half, we need to do a 13% to 16%. So, are we on track? And also, we mentioned INR 11,000 crores revenue in the initial opening remarks. So, this is for this year or FY '25?

Rohan Suryavanshi: Shravan ji, we had given our guidance earlier as well, and we are sticking to the same guidance that we had given, that 5% to 8% growth will come from FY '23 numbers. The EBITDA will also be as what we have guided earlier. When I gave you that INR 11,000 crores top line number, I said we will be in INR 11,000 crores plus top line company in future, so this year and that year as we keep on growing. So, when the investor who is coming in, he is looking at the company of that site with such a diversified portfolio, which will be a net debt-free company by the end of FY '25. So that's how they are also investing on the parent level through warrants.

Shravan Shah: True. So, margin at EBITDA level on standalone 13% to 14% that we are maintaining and inflow, what we have received, INR 2,641 crores. So, this is all EPC, value excluding GST and under certain take off– since one project is in JV with Patel Engineering. So there also, we are doing 100% stake, just wanted some clarification on that.

Rohan Suryavanshi: Yes, we'll be doing that project. That's an EPC project that we're doing. We'll be executing it. 100%, we'll be doing that project, sir.

Shravan Shah: Okay. And for order inflow now for this year, we were previously looking at INR 10,000 crores to INR 12,000 crores. So, are we having the same number or targeting the same number for this year?

Rohan Suryavanshi: Yes, sir, we are looking at the same target what we had given you in terms of new order inflow. And areas that we had mentioned.

Shravan Shah: Okay. And the capex till now, we have done INR 84-odd crores in H1. So last time, we have said INR 50 crores to INR 75 crores. So now what's the higher number for this year?

Sanjay Kumar Bansal: Basically, Shravan ji, the capex will be same only. But when we talk about the capex, it is net capex, because certain equipment's are very old. So, from there also, we are getting money. So, net-net basis, the capex will be in the range what we had given.

Shravan Shah: Okay. INR 50 crores to INR 75 crores. Okay. Got it. So now the main question on the Alpha Alternatives and whatever is the remaining on the Shrem part. So, 2-3 aspects just to understand clearly. So, these 18 HAM projects, broadly, what would be the equity that we'll be needing to invest? What's the equity requirement for these 18 projects where Alpha Alternatives is taking a 26% stake? So that is cost aspect.

Second, so against that, so the remaining 74%, when we will be transferring to the InvIT and we are getting close to INR 4,000 crores units, where we will be reaching INR 400 crores kind of a dividend, plus interest on an annual basis. So just trying to understand that. So, INR 2,000 crores what they will be investing. So broadly, if you can help us in terms of 10% equity stake when the warrants will be converted by end of next year, what would be that value roughly?

Rohan Suryavanshi: Shravan ji, the equity tracker for all these projects, what you asked, is in the presentation. It's on Page 26 of the presentation, where we stated clearly how much was required in 18 HAM projects, how much is invested till now and what is the balance that will be invested in the years going forward. So, I think that once you'll have a look at it, you will have a clear that part of the question. You asked something around Alpha warrants, what exactly do you want to understand about the warrants?

Shravan Shah: So, INR 2,000 crores, when they will be getting INR 2,000-odd crores from them. So, this will be against the 26% stake in 18 HAM projects that we will be receiving because they will be taking the 26% stake and 10% for the stake in the DBL standalone. So, roughly on the 10% for the DBL stake, what would be the figure? So current market cap, if I look at INR 5,000-odd crores, so INR 500 crores, that's the way one can look at?

Rohan Suryavanshi: Absolutely, sir. So, about INR 500 crores is coming in through the warrants and the rest, that is for the 26% in the 18 HAM projects.

Shravan Shah: Okay. So just to understand better in terms of the Shrem plus this. So this year and next year, on the standalone book in terms of the equity investment in the HAM, how much will be the value broadly, whatever the numbers we have given in the presentation? And how much will be the InvIT units that we will be having on the standalone book by end of FY '24 and FY '25? So that's the 1 point I wanted to understand.

Sanjay Kumar Bansal: Shravan ji, as Rohan said, the equity, what is to be required in 18 HAM projects and the core projects, that is given on Slide 26 of the investor presentation. But at the same time, you asked how the units will basically look at FY '24 end and FY '25 end.

So today, we have around INR 500 crores plus invest in InvIT unit as an investment in our standalone books. Further from 8 HAM projects, first 26% at the time of flipping into InvIT, we will be getting INR 2,500 crores to INR 2,600 crores units. So, the around total INR 3,000 crores. And after that, when we will split the 26% in the balance 10 projects, another INR 1,300 crores to INR 1,500 crores. So, the total would be around INR 4,000 crores from our InvIT and around INR 500 crores from the Shrem InvIT, so put together is INR 4,500 crores worth units we will have in total.

Shravan Shah: And the equity, pure equity from the standalone by end of FY '25 there will be no equity investment at standalone in the direct equity. It will be only the units that we will be having by FY '25.

Sanjay Kumar Bansal: Shravan ji, I said the equity breakup is given in presentation. But let me tell you, we had INR 825 crores projection of projected equity to be invested in FY '23-24. Till today, we have invested almost INR 390 crores equity and balance INR 472 crores equity will be invested this financial year-end. And in FY '25, another INR 547 crores year-on-year, so total equity as of September 30 to be invested is basically around INR 1,700 crores.

Shravan Shah: No, sir, I got it. What I'm trying to understand is that you will be investing and against that, so this equity requirement, you are talking on a 100% basis. But once the 26% stake will be taken by the Alpha Alternatives and once you will be getting the InvIT unit. So, InvIT units will be replacing pure equity investment. So, in that sense, so by FY '25, once we have this INR 4,500 crores InvIT units in standalone books, then we will not be having any pure equity investment in the HAM assets. That's the way I can understand?

Sanjay Kumar Bansal: I understood your query. You are trying to say once the equity from Alpha will come in, whether our equity investment will reduce. So yes, for first 8 projects, the equity requirement was INR 910 crores, which is already invested. These projects are nearing completion. So, balance 10 projects, when Alpha will invest 26%, yes, the equity requirement from DBL will go down, and they will invest 26% equity with us.

Shravan Shah: Okay. And lastly, so by end of FY '25, how one can look at in terms of the finance cost. So now in the second half and FY '25, how much one can think of in terms of the reduction in the finance cost?

Sanjay Kumar Bansal: Shravan ji, as we detailed out our strategy towards debt in the short to longer term, we are trying to make the company net debt free by next financial year-end. So, this year, the impact of reduction in financial cost would be INR 50 crores to INR 75 crores. So, we will be in the range of INR 450 crores to INR 475 crores and next year because we will reduce significant debt this year. So, we are expecting the finance cost will be reduced around INR 300 crores to INR 350 crores in FY '24-25 and thereafter, around INR 200 crores year-on-year.

Shravan Shah: Okay. Got it. And lastly, this quarter, other income was higher. Any specific reason? And is it a recurring in nature? So INR34.5 crores versus last quarter, INR18.5 crores.

Sanjay Kumar Bansal: So Shravan ji, we are holding INR 535 crores worth Shrem InvIT units. So, we have got the distribution within this quarter and Q1. So basically, our investment income is added.

Shravan Shah: Okay. So, this number is sustainable on a quarterly basis?

Sanjay Kumar Bansal: Yes.

Shravan Shah: Okay. Okay. All the best, and I hope we will become a debt-free company. It's a great DBL version 2.

Moderator: Next question is from the line of Narendra from Robo Capital.

Narendra: Congratulations on the deal InvIT. So, a few clarifications. So, are we saying that FY '24 will be 5% to 8% top line growth?

Rohan Suryavanshi: Yes, that's what we had indicated earlier as well that we'll be targeting.

Narendra: If I remember in the last call, you had said 10%. So just wanted to clarify that.

Sanjay Kumar Bansal: Narendra ji, the revenue will be closer to INR 11,000 crores. We have already clocked INR 5,000-plus crores revenue. And please note, the Q2 is a rainy season quarter. So always, every year, all infra companies, the revenue in Q2 is lesser. So, first half is always lesser than second half. We expect, that we will close this year at the projection level what we had given in last quarter con call.

Narendra: Okay. Okay. Got it. And the margins will be 12% to 14%, right?

Rohan Suryavanshi: Yes, we said between 12% to 14%. So that's what we've given an indicative idea for you.

Narendra: And on the deal, so it's INR 4,000 crores in units and INR 2,000 crores in cash, right?

Rohan Suryavanshi: Yes, sir.

Narendra: Okay. Got it. And on a longer-term perspective, how do we see the order inflow coming up? Your order growth or top line growth over the next 2-3 years, if you could provide some idea.

Rohan Suryavanshi: So the order book for us, because it is coming from various sectors. It's not just roads. Currently it's like less than 40%, what used to be 80%-plus for our business. Because it is coming from various different sectors and sources that we are doing, we see a very robust order book.

Like I mentioned earlier, roads are also a very strong pipeline. Water, a very good pipeline. We're looking at railways also opportunistically. Metro projects also. Airports, mining, dams, canal. So all across the different sectors that we're working in, there is a good amount of pipeline. And our comfort is coming from the Government's continued focus on it and also what they've outlined in the national infrastructure pipeline that they want to build.

So there is a good push on infra that is happening, and we remain confident. In terms of order book growth, it will be like a more measured growth year-on-year because we are not looking to grow at the pace that we used to grow in the earlier years of 20%-30%. The order book would also be growing commensurately to what revenue we want to do.

Typically, as a policy in the past, we've always targeted having about 2.5x order book to revenue. So, we want to continue having the same kind of thing, and we will continue winning somewhere in the range of INR 10,000 crores of orders every year.

Now to give you an exact number for each year is obviously would not be possible because we would keep looking at project's year-on-year and seeing how the margins and how the landscape is panning out. But that's roughly how we should think about strategically how the company is thinking.

Narendra: Okay. Got it, got it. That's it. And also, before COVID, we used to earn those early completion bonuses. So has that been behind us? Or are we looking at those again returning?

Rohan Suryavanshi: So, what has happened is before COVID happened, the timeline at every single project was different. The complexity of projects has also increased in the last 3 years. While we continue to target early completion bonus, it is not a God-given right. And that is only available in the road sector.

Now we are doing various other sectors. Road business is, like I mentioned, it's only like 40% now of our total order book. So other sectors do not have an early completion bonus per se given in. The value or the bonus that we earn on our own by doing a project before time is what we still try to do, but there is no written sort of bonus in the other sectors where the Government will pay you more if you complete a project before time.

So, while we try to do and optimize our costs by controlling and trying to complete a 2-year project less than that time, there's no bonus.

Narendra: Okay. So earlier, our margins used to be 2%-3% more due to this, if I'm not wrong. So going ahead, we can assume that it will be around 14% to 15% because there's no early competition bonus, right?

Rohan Suryavanshi: So, at the time when we had early completion bonuses, the direct benefit that used to come from the early completion bonuses was in the range of 1% to 2% and the indirect benefit, which is us completing before time, was another 1% to 2%. So it used to add a like a 3% to 4% pop to our total margin profile on the bottom line.

Right now, what we've indicated towards a 12% to 14% is what you should sort of take as the indication. If there are any changes in the future, we will update you. But to predict the long term how things will look is a function of how the competitive intensity is looking at what changes is happening in the Government tendering system, all those things. So it's difficult to sort of state the long term.

But yes, we are continuing to target in this range of EBITDA. But what the big change will have to happen is as we become debt free, we will have a lot more to give and the PAT margins will keep on increasing. So that will be the big sort of headline picture, and it will remove as we also focus on not doing capex. Future also, we won't be raising a lot of debt at the parent level. This will continue to do. And because we're working in different sectors, we won't be trying to win projects at aggressive rates. Also, the equipment that you already have, as we keep setting it, it will give us a better return than just continuing to invest in capex.

Narendra: Okay. Okay. It's a very great thing that you are trying to get lean. That's making our company very interesting. So another clarification regarding the finance cost. So, you said that FY '24, it should be around INR 450 crores to INR 475 crores; FY '25, around INR 350 and going ahead, INR 200 crores, right? Roughly ballpark numbers.

Rohan Suryavanshi: Yes, roughly, that is what we did. Our finance cost is 2 parts. One is the interest component, and the other part is, obviously, the BDLT costs because the bank guarantees and all those are like the large portion of what we also need for our business.

Moderator: The next question from the line of Vaibhav Jain, an independent investor.

Vaibhav Jain: Yes. I just had a couple of questions. One is on the raw material front. I wanted to understand how do we think about procuring raw materials. We keep it as inventory or is it like project backed? Just wanted some sense on that.

Rohan Suryavanshi: So, for different raw materials, there's a different strategy. For stuff like black metal, which is produced on site, what we know as satanic metal. That we try and procure because there is always a lag. For other raw material, like steel and cement, we have different inventory levels that we have assigned at each site depending on how the work progress is going. There is always a certain inventory that is held for all the different items, whether it's for bitumen, whether it is for steel, for cement, for platinum. So, all those are different raw materials that we keep holding at our sites.

Vaibhav Jain: So, if I understood correctly, a part of your inventory, you hold it and then the bulk of it, you procure it as per your requirement. Is that understanding, correct?

Rohan Suryavanshi: Yes, it's different. Like I said, for black metal, there is a larger portion that we have to hold because that is all procured locally, and it takes a certain time for it to be procured.

Vaibhav Jain: Yes. So also on the debt front, I wanted to ask. So, our net debt is around INR 6,300 crores. And we'll be getting an inflow of INR 2,000 crores from this deal with a pay. So how are we going to pay the rest of the debt, since we're going to be a net debt 0 company. So just wanted to understand whether a gap of INR 4,000 crores, INR 5,000 crores will be filled.

Sanjay Kumar Bansal: Vaibhav, you should look debt of standalone and consolidated separately. So, whatever we talked about on the call on debt side is standalone balance sheet.

An infra company, where we are operating in concession environment, the debt on the SPVs where projects under execution, HAM projects, that debt is self-sustainable. So that debt will continue after also, whenever we will be wining other projects.

So, when we are talking net debt mix, the standalone net debt free company. So consolidated debt will always remain because we will continue to win projects and we'll continue to execute projects. So, no HAM projects will be without debt. So, if you're comparing INR 6,000 crores, then you should exclude that INR 400 crores of the subsidiary debt separate.

Moderator: The next question is from the line of Vishal Periwal from IDBI Capital.

Vishal Periwal: One clarification. Does Alpha Alternatives value the 18 HAM projects at the price to book of 2.6x, is that a fair understanding?

Sanjay Kumar Bansal: So basically, we don't look the value in terms of equity and multiple. Basically, the 8 projects were won by the company when the bank rate was at a low side, around 4.25%. And the valuation is basically basis the bank rate. And the annuities, future annuities, which we receive in 15 years. So, it is a combination. So, you should not basically compare the multiple basis. But yes, the numbers are like that only.

Vishal Periwal: Okay. Okay. Fine. And in other income, can you give a breakup of what is the distribution income from Shrem unit in this quarter?

Sanjay Kumar Bansal: So, Shrem units distributing is around INR 3-3.5 crore every quarter. So Q2, we have received around INR 26 crores of total distribution. So, this distribution has 3 parts: dividend, return of capital and interest. So, whatever is reported in other income is dividend and interest.

Vishal Periwal: Okay. So this INR 26 crores, probably this will be the first quarter when we have received it. Can we say that's quarterly basis, recurring or how the structure will be?

Sanjay Kumar Bansal: So, it is basically recurring income. But when I say INR 26 crores, 26 total units as on today. As a group, we are holding 868 crores unit. From there, we are receiving INR 26 crores worth distribution every quarter. So, at DBL level, 535 crores units out of 868 crores we are holding. So, this is recurring income for the group in future also till the time we hold the units.

Vishal Periwal: Yes, sure. Got it. And then, I mean, a bit of conceptual. So, we already have this, Shrem InvIT. So probably like thought process is having one more InvIT and then the background of creating one more structure.

Rohan Suryavanshi: So, sir the Shrem InvIT is the InvIT which is owned by the Shrem Group, and they had bought out all our assets. And they build it on their own. So, it's a different entity. Now with this InvIT, our idea was to build our own InvIT, the DBL InvIT. And that's why we've kind of done that.

So, they are a separate partner. And while we have enjoyed a great partnership run with them as well. But this idea of setting this up was, setting up something of our own, which will give value to the company and to their shareholders on a long-term basis where we don't have to keep counting. So right now, also we ran a whole mandate looking at different investment and everything. And looking at all the numbers, we decided this was the best way forward for us.

So hence, we took this call of setting up an InvIT of our own. And the idea behind, like when we were setting this up, as we were contemplating the various structures, which we could do it, we were very sure that we wanted to do it with a trusted financial name and a trusted financial partner who would bring in all the financial expertise and will be running it in a very professional manner. So that's how Alpha Alternatives came on board. That was the idea. So, like I mentioned on the opening remark, the idea was to build a partnership like an Embassy and a Blackstone.

Vishal Periwal: Sure. So maybe going ahead, like any more HAM assets that we're in. So that moves to particular -- I mean, like the initiatives that we have done with Alpha, is that fair bit of understanding?

Rohan Suryavanshi: Obviously, now our future HAM asset that we win, it will always be our first preference for it to move into our own InvIT because that will be the best value unlocking. Every other investor out there will look at keeping some value for themselves in between as we do, whether it's any of the -- I mean all the buyers, which will be there, whether it's a Canadian pension funds or Cube or anybody else who love it. They be discounting these projects at a higher rate versus what an InvIT of our own will be doing. It's a better value unlocking for DBL and our shareholders.

Vishal Periwal: Sure, sir. Sir, in second, can you provide a breakup of this interest cost in condition charge or maybe the interest cost related to debt for this quarter, maybe a number. The reason I'm asking is because you did mention like from FY '25, when we're seeing net debt to be almost 0, there's still a projected some numbers for FY '26 in terms of interest cost, so just want to understand that.

Rohan Suryavanshi: Sure. So, you can speak to our team separately on it. Though as a policy, we don't talk selective information to investors. But this is how we've always structured, but you can speak separately to my team.

Vishal Periwal: Okay. Sure. And on this, a couple of more bit of clarification. So, on this standalone, I think in terms of revenue breakup, we have given revenue one pie as a mining. So, is the mining activity happening at a subsidiary level? If you can just clarify like why this income is coming standalone?

Rohan Suryavanshi: So yes, the thing is under SPVs, like there are different SPVs, which are the long-term mining projects. There are 2 types of mining projects that we have. There are the short-term mining contracts and then the long term, which are SPVs. So even in the long term, which we have under SPVs, the ECC work corporate is done by DBL. So, the mining revenue comes there. But let me hand it over to our CFO. He might want to add something more.

Sanjay Kumar Bansal: So like Rohan ji said, some overburdened projects at the EPC and DBL itself. And we have 2 concessions, Pachhwara and Siarmal. So that is in SPV level. So, the EPC work as, Rohan ji said, is executed by DBL. And in terms of Siarmal, the even mining is done by DBL for the subsidiary.

Vishal Periwal: Okay. Got it. One last question from my side. Can you give, I think your understanding and reading of lack of ordering in the road sector, that would be useful.

Rohan Suryavanshi: It has been deferred while the ordering should have been more, it will defer. So currently, the orders which have been floated by the Government, which already there, is about INR 75,000 crores in HAM and about INR 25,000 crores in EPC.

Vishal Periwal: Okay. And if I may ask, like in terms of various segments, in terms of ordering, which segment, you see bidding pipeline is pretty strong. I mean not pipeline, but actually, the work is also getting awarded, where do you find the opportunities there. Because I can see that like in terms of order book buy, it is moving away from sectors other than road. So in other than roads, which are more exciting in terms of inflow for us?

Rohan Suryavanshi: So, we are seeing it in all the sectors that we work in. We are seeing activity in all the sectors that I've mentioned, we work in, whether it's road, whether it's metros, airports, whether it is water projects, dams, canal, water supply projects, mining. So, all the sectors have a decent amount of activity happening. So, we are fairly confident of like a very diversified order book by the end of the year as it is currently.

Vishal Periwal: Okay. And do we also provide a big pipeline for sectors other than road?

Rohan Suryavanshi: No, we don't provide that, sir.

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

Shravan Shah: Yes. first, how much is the DBL infra debt as on September?

Sanjay Kumar Bansal: DBL infra-assets, we had INR 675 crores outstanding debt as of September 30...

Shravan Shah: Okay. Why I'm asking is because if I look at our HAM equity investment, which is INR 1,074 crores and the Shrem InvIT that we have is INR 868.5 crores. So broadly INR 1,943 crores that we have in the form of HAM equity and Shrem unit. But if I look at the balance sheet correct me if I'm wrong. Since I'm trying to understand that non-current investment is INR 1,294 crores, and the loans is INR 330-odd crores. So INR 1,624 crores is the equity that we are showing in the standalone book, and INR 675 crores is infra debt which is used to fund the equity. So, it is not telling. So only INR 1,943 crores we have invested Shrem InvIT and HAM equity, whereas the standalone balance sheet, it is INR 1,624 crores.

Rohan Suryavanshi: I just told you: I think there is some confusion in how you're reading the numbers. Why don't I recommend that you connect with our team after the call to understand because I think you are comparing consolidated and standalone, and confusing between the two. So, it's separate and the consolidated is separate…

Shravan Shah: Okay. I will connect. And second...

Rohan Suryavanshi: Yes. Well, you connect with them and they'll answer all your queries. There is no problem.

Shravan Shah: Yes, Sure, sure, sure. And sir, on working capital, so we were looking at a 10 days kind of a reduction, so in H1 we have seen a marginal increase. So as per presentation this 2 days which has increased. So, by end of March, as the execution pickups and maybe we will get some more repayment from date or maybe working inventory reduction. So are we looking at or hit 10 days kind of a reduction in working capital days?

Rohan Suryavanshi: Yes, sir, we are looking at that kind of reduction, yes.

Shravan Shah: Okay. Great. And second, how much value of projects that we have already bidded and where the result has not come?

Rohan Suryavanshi: We would have bid about INR 10,000 crores of projects where the result would have not opened up till now.

Shravan Shah: Okay, okay. Okay. And the 4 HAM projects, appointed date are likely to be received by?

Rohan Suryavanshi: Sir, those are all in the presentation. I request, please have a look at the presentation, please. So that it will be more valuable.

Moderator: The next question is from the line of Narendra from Robo Capital.

Narendra: I just wanted to know that you said you are not aggressively trying to bid for projects with low margins. I just wanted to understand that how will the top line growth come if we are targeting INR 10,000 crores employ and on the same and doing the INR 10,000 crores, INR 11,000 crores of revenue. So, if you could help me understand how the top line growth will come going ahead?

Rohan Suryavanshi: So, the top line growth will come from the diversified sectors that we have. We are not looking, like I mentioned earlier as well at a very aggressive growth. We're looking at a very measured growth.

When we target a higher growth, given our business model of doing everything on our own, we also need to do a significant capex. Because right now, we are looking at being a net debt free company, by the end of next financial year. Our target right now is to have a measured growth, which will be supported by our current assets and maybe a little bit of addition, if needs to be. So that's the idea.

And the growth will come from all the different sectors. There will be enough opportunity that is coming. There might be a higher competition in those sectors, but the other sectors are still looking pretty decent.

Narendra: Can we say that we are targeting around the same rate that we are targeting for FY '24 over the next couple of years?

Rohan Suryavanshi: Yes, 7%-8%, like what we mentioned, is the consistent growth that we are looking at 8% or so that you should think about it.

Narendra: And last question regarding your tax rate. So, what is the effective tax rate?

Rohan Suryavanshi: The metric is about 22%.

Moderator: The next question is from the line of Gopika from Mint.

Gopika: I just wanted to understand. So much of the capital that you're raising, that will go into debt repayment, right?

Rohan Suryavanshi: The capital that is coming into the company, we will be increasing and will obviously help reduce our debt as well. That will be happening along with the profits that we make every year. So Gopika ji, we make investments into our equity projects as well. So, it depends on how you want to look at it. The debt that is getting reduced is getting reduced via a function of our internal profits and also the external capital that we're getting. So, it's a mixed bucket of money that is contributing.

Gopika: Right. And you said you would go slower on capex. Why is that?

Rohan Suryavanshi: We're going slower on capex of like the DBL business model was, we will invest in our own equipment when we have a growth block of about INR 4,000 crores. So, the idea is right now, we're not investing in our gross block, and that's the capex that we're avoiding. We will continue to look at PPP projects selectively those who meet our IRR hurdles.

So, those are the areas that we will be doing. But in the equipment side, we are not doing capex. And our idea is to reduce or like make our balance sheet leaner and lighter. With that kind of goal. So, to sustain the growth that we have in mind, we have enough equipment to continue that. And because we are a diversified infrastructure player, we will continue to look at all those factors.

Gopika: Right. After this capital raise and you will not be looking at any more fundraising, at least for the next 2 to 3 years.

Rohan Suryavanshi: Yeah ma'am, may not be. Even currently, we were not looking at raising any funds in terms of warrants at the parent level company, but our investor was insistent. But because we're coming in as a big way and setting up our own InvIT. They also saw a lot of opportunity that could have happened at the parent level company. So that is why it was. Otherwise, as promoters, we were not looking to do.

But given that the investors found a lot of comfort in where the current share price was and what it was going to, given our asset business alone would be valued x amount, plus the EPC business will be valued at certain multiples.

Then when it would be a debt-free company, how that multiple should move. Second when they were doing that, so that's how they were insistent that they also wanted to do that in terms of the partnership. And because this was a large partnership that we are also looking to expand into other sectors of infrastructure, we were happy to sort of get them on board.

Gopika: The mining and all that?

Rohan Suryavanshi: Yes, mining pipeline, railways, PPP. So whatever PPP project because there's a lot of PPP projects that the Government is coming up with. So, the investor is looking at building a nice infrastructure portfolio. And they found that our EPC capabilities are conferred to what they are looking at and someone like us who can execute projects across the book. So that's how this partnership happens. Them having the capital and us having the experience and the expertise of working across different infrastructure segments.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Rohan Suryavanshi for closing comments.

Rohan Suryavanshi: I thank all of you, all of our partners, for asking all the questions and being on this call today. In case any of you guys have more questions, please feel free to reach out to us, to me, or any of our team members, and we'll be happy to address any of your queries.

Also wishing all of you guys are very, very happy and prosperous Diwali in advance. I look forward to seeing you guys in the new year, I guess, speaking to you. So have a great Diwali and safe Diwali. Enjoy it with your family. Thank you, guys.

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