DILIP BUILDCON LIMITED
INFRASTRUCTURE & BEYOND

Date: 16.02.2024

To
BSE Limited
PhirozeJeejeebhoy Towers
Dalal Street
Mumbai- 400001

Scrip Code – 540047

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
Mumbai – 400 051

Scrip Code - DBL

Subject: Transcript of the Analyst/Investors conference call

In continuation to our letter dated February 07, 2024, please find herewith the transcript of the Investor conference call for Investor and analyst held on Monday, February 12, 2024 at 06.00 PM. (IST) related to the financial results for the quarter and nine months ended December 31, 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: 2024.02.16 15:27:03 +05'30'
Abhishek Shrivastava
Company Secretary

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"Dilip Buildcon Limited Q3 FY-24 Earnings Conference Call"

February 12, 2024

MANAGEMENT:	**MR. DEVENDRA JAIN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – DILIP BUILDCON LIMITED** **MR. ROHAN SURYAVANSHI – HEAD STRATEGY AND PLANNING – DILIP BUILDCON LIMITED** **MR. SANJAY KUMAR BANSAL – CHIEF FINANCIAL OFFICER – DILIP BUILDCON LIMITED.** **MR. GAUTAM JAIN – HEAD – INVESTOR RELATIONS**
MODERATOR:	**MS. JILL CHANDRANI – S-ANCIAL TECHNOLOGIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Dilip Buildcon Limited Q3 and Nine Months FY24 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 "*" then "0" on your touchtone 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. Good evening, everyone. Welcome to Dilip Buildcon Q3 & 9M FY24 Earnings Call. From the management, we have with us Mr. Devendra Jain – Managing Director and CEO; Mr. Rohan Suryavanshi – Head (Strategy & Planning); and Mr. Sanjay Kumar Bansal – CFO.

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.

Now, I request the management to take us through the "Key Opening Remarks." After that, we can open the floor for a question-and-answer session.

Now, I hand the call over to Mr. Rohan Suryavanshi for his "Opening Remarks." Thank you, and over to you, sir.

Rohan Suryavanshi: Thank you, Jill. The results in presentation have been uploaded on the stock exchange and I hope all of you had a chance to look at it.

So, to start, I would like to share our perspective on industry. As per the latest CRISIL report, India will spend nearly Rs.143 lakh crores in the next seven years, that is almost double we spent in the last seven years. In addition to core infra major contributing verticals will be roads, railways, urban infra,, etc. In a step towards this direction, the Government has already increased infrastructure spending budget by 11% for the next year bringing to a total of 11 lakh crores, which is almost 3.4% of the GDP. This is a testament to the fact that Government has complete focus towards improving Indian infrastructure on a long-term basis.

The timing of these planned investments could be varied due to elections or any other reasons, but we have full confidence of achieving these targets as a country. The national infrastructure pipeline has outlined what the Government is thinking and we are excited about the opportunity that it is presenting. From DBL perspective, as you all are aware, we are now a fully diversified infrastructure EPC company, covering eight major verticals, roads and highways, irrigation, water supply, railways, metro, tunnels, special bridges, urban infra, and mining. We had embarked on this diversification journey a few years ago, to make ourselves not only ready for the future infrastructure needs of the country, but to also shield ourselves from any unforeseen circumstances in a particular sector. Due to this diversified presence, we would be the direct beneficiary of these planned CAPEX by the Government in the infrastructure sector. While also ensuring that our risk is spread over multiple sectors and agencies.

Obviously, to capitalize on these upcoming opportunities over the past few years, we have developed a very strong team, equipment banks and the highest level of pre-qualifications and almost all the new verticals we have added over the last six to eight years. With our judicious approach in tendering, meticulous planning and technology backed execution skills, we are more than confident to achieve a profitable and sustainable growth journey.

Our another, major endeavor which I had highlighted in our previous call was looking at and dividing our business / cash flows in two buckets, short term and long term. I have termed our new strategy as DBL 2.0. This strategy focuses on strengthening balance sheet, becoming a net debt free company on standalone alone basis in the next two years, generating consistent and predictable cash flow, delivering a measured growth, improving ROE and ROCE, reducing concentration risk from any sector, client or geography. All of which we believe will help us in building a strong company capable of handling any disruptions.

Our short-term business will be our EPC business. While our long-term business will be our asset business, which currently consists of road, and coal mines. I'm happy to report that our low-risk long term assured revenue portfolio is progressing well. This business is the coal and the road business. So, our coal mining business has a potential annual revenue of Rs.5,000 crores per annum for the next 25 to 50 years once it achieved full output capacity.

Just to share, currently we are overachieving our targets by almost 40% by extracting 7 million tonnes as compared to the annual target of 5 million tonnes in this financial year at our Siarmal mines. At this mine for the next year, we will be doing 50% higher than our target of 10 million tonnes that is, we will end up doing 15 million tonnes and the other mine which is Pachhwara mine, we are delivering the total requirement of 7 million tonnes to the Government. With this run rate, we should achieve a combined revenue of about Rs.1,500 crore plus in the next financial year from just these two mines.

Now the second long term business is the road that I mentioned. From all the things that we have set into motion, we are expecting to get annual distributions of about Rs.400 to Rs.500 crore from our 18 road assets as we set up the InvIT. This gives us visibility for the next 15 years of cash flow. As I had announced in the last call, we are in the process of creating our own InvIT in partnership with Alpha Alternatives. In the proposed InvIT DBL will be holding 74% stake and the balance 26% will be owned by Alpha Alternatives. This InvIT will enable us to diversify our existing and future PPP Road projects with much ease and without much dilution while ensuring free cash flows in the form of distributions. As per this agreement, Alpha will be investing in our 18 road assets where we are divesting the 26% for a total consideration of about Rs.1,400 to Rs.1,500 crore. Besides this, they are also investing in warrants of the company of about Rs.500 crore additional.

Tentatively in this year till now we have received about INR 130 odd crores through just issuing 1.6 crores convertible warrants in the last quarter. We are expecting to receive another Rs 500 crores in quarter four of this year, after which the total amount received from Alpha will be about 630-650 odd crores for the current year. In the next financial year, we are assuming another amount in similar nature, and with limited balance we are expecting in FY26. And these are all tentative timelines which are based on construction timelines and other deliverables.

Alpha has taken rights for almost 9.99% of the paid-up capital, they have the right to exercise these warrants in the next 18 months at an exercise price, which is determined by the SEBI process of Rs.328.05 per share. For the InvIT creation, most of the initial contracts are executed. Due diligence of each project is underway and prerequisite conditions fulfillment work is nearing completion. We are targeting and are confident of creating the InvIT during FY25.

Besides this long-term business, the current EPC business is going strength from strength while ordering in this financial year, given it an election year had been slow. In the road business alone, there are projects worth almost 1,30,000 crores which have been floated and we expect some of them to be awarded in this quarter and over the next couple of quarters. But the visibility of those projects is very clear. With this update, I would like to hand over the call to our CFO, Mr. Sanjay Bansal, to provide insights on the financials.

Sanjay Kumar Bansal: Thank you, Rohan ji. Good evening, everyone. I welcome all our stakeholders to our earnings call. Let me present the results for the quarter ended 31st December 2023. During Q3FY24 the company has completed one HAM projects that is Repallewada to Telangana-Maharashtra Border worth INR 7,082 million. At the end of Q3FY24 the company is having well diversified outstanding order book of INR 2,18,429 million.

Now, moving from business to financial performance. The revenue of the company increased by 8.08% in Q3FY24 on Y-o-Y basis from INR 23,788 million in Q3FY23 to INR 25,711 million in Q3FY24. This is due to better execution of the projects. On EBITDA front, the EBITDA of the company increased by 27.55% in Q3FY24 on Y-o-Y basis from .INR 2,497 million to Q3FY23 to INR 3,185 million in Q3FY24. The EBITDA margin increase on account of better execution of the projects and reduction in the construction materials prices. Profit after tax increased by 19.87% in Q3FY24 on Y-o-Y basis from .INR 795 million to INR 953 million in Q3FY24, this is on account of better EBITDA margins. In terms of the milestone, the company has basically crossed net worth of INR 5,000 crore at the end of December 31st, 2023.

Now, let me take you through these important balance sheet items and order book position. The company has reduced debt of INR 5,315 million during FY24 which resulted in net debt equity ratio improved to 36 basis points at the end of December 31st, 23 versus 52 basis points at the end of March 23. The receivable also decreased to INR 13,819 million in Q3FY24 from INR 16,018 million in Q2FY24. This is on account of better collections by the company. Working capital days also decreased from 72 days to 67 days. This is again on account of better collection of the receivable.

So, basically after this, we are on target to achieve our goal set at the start of the year. Revenue growth is in-line with our estimates 5% to 10%, EBITDA margins improving, CAPEX is planned between 50 to 100 crores, debt reduction already done in nine months by INR 530 crore. And we will be achieving our goal set at the start of the year of 800 to 1,000 crore reduction of debt. 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. First question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, couple of just some clarifications and then the questions. So, we are saying that for 5% to 10% revenue growth for this year, so fourth quarter then at least to achieve a 5% also we need a +3,000-crore kind of revenue. So, this quarter we have done closer to 2,570 crores. So, we are confident that we can cross +3,000 crore kind of revenue in the fourth quarter?

Rohan Suryavanshi: Absolutely sir, we are confident that we will cross the 3,000-crore revenue in the same quarter four.

Shravan Shah: Okay. And in terms of the margin now will be, is there a still a possibility that this margin will pinch up to +13% kind of a number so, 12.4% this and nine months also it is a 12.4% EBITDA margin. So, is there a possibility that maybe in next year we can see a +13% kind of a margin?

Rohan Suryavanshi: So, currently you should take the guidance that we have given in the past only, as the current numbers only whatever improvement let us keep it in the back pocket and if anything comes let us hopefully surprise you on the better than setting any aggressive goals right now. So, let's just assume this for now.

Shravan Shah: Okay. And sir now in terms of the order inflow so, that is for across almost all road companies are facing because there is a slowdown from NHAI side. So, just a couple of things. We have received 2,140 odd crore kind of an EPC value in terms of order inflow. So, how much more we can look at in next one and a half months. Also, how much value of projects we have already bided that bid is yet to open and how much more we are planning to bid. If you can broadly classify in terms of where, which sectors for water, irrigation, metro, any other sectors?

Rohan Suryavanshi: Shravan, so obviously the order that we have won this year till now is about a little over 2,500-2,600 orders that we have won in this year till date. We have highlighted those in our presentation as well. There are another 10,000 crores worth of orders in the road sector alone which we are awaiting them to open. Besides this, I mentioned there is 1,30,000 crores of old tenders which have been floated but obviously it has kept on getting delayed, the Government have kept on pushing the dates ahead. So, we are expecting some to happen then, but then we are expecting a majority of it to happen in Q1 and then Q2 the next financial year. That is what we are expecting, in the other sectors we will keep looking at it opportunistically as we don't give out numbers on that, but we are looking at it. So, what is the plan irrigation projects, we are continuously looking and evaluating and biding that as well. Those are more, those are awarded by the state Government. So, different state Governments have floated their contracts, and we keep looking at them.

Shravan Shah: Okay. So, in water also are we seeing the states are already the election is over, so MP, Rajasthan, Chhattisgarh or is there any scope going on for UP also?

Rohan Suryavanshi: There is a huge scope in this and they are not dependent on the national election. So, there's a lot of scope.

Shravan Shah: Okay. And now definitely, it's a good thing that debt we have reduced 500 crore plus odd crore. So, by this year, we will see a 300-crore kind of a reduction in the fourth quarter. And hopefully, the last time as we guided and this time also, we guided that we will be a net debt free by FY25. But in FY24, how much more reduction can be possible because in your opening remarks, you said that Alpha Alternative last quarter we were looking at in FY25 the higher cash inflow, now we are seeing some may spill over to FY26. So, if you can help us with that?

Rohan Suryavanshi: You asked a bunch of questions but I'll try and answer. If I missed out on something do let me know. So, number one you are right, we have already reduced our debt by about (+500) crores in the first nine months as we had indicated. And that has been a big sort of challenge when outside investors and all of you guy's supporters of company had looked at, and that is what we have addressed that we will now focus on building a lean, strong company with a very strong balance sheet. The target that you are saying about (+800) crore of debt reduction we will do, what that will do is and by the end of FY24, we will have a debt to EBITDA of about 1:1, debt equity of about 0.25, somewhere in that, and I'm giving you ballpark figures right now, obviously, so don't hold me the exact numbers. And in the next year, we are hoping to reduce it by another similar amount of what we are reducing in this financial year. So, that is the target. So, it might not be completely but it will be almost near net debt free type of company, that's what we are kind of targeting. And that's the plan, because while we are reducing our debt, we are also investing in new projects as we go along. So, we are balancing out between both those things, and doing but our long-term agenda, but in FY26 like you said, we will completely be debt free. Our long-term focus is on that only and that's what we are trying to do and besides the debt reduction as mentioned, we are also looking at and dividing our business into long term and short-term cash flows. So, the short-term cash flow was the EPC, which I mentioned, and the long term is the coal and the road business.

Now, as far as you are asked, how is that money kind of flowing. The money that we are indicating, we have indicated last quarter or we are indicating in this quarter to you, how it's going to flow is based on certain parameters or when projects are starting, when are we first starting some projects and then when are we finishing those projects. So, if there's any delay in any start, it will also end up delaying and if the Government dates have not come to start, it might end up delaying the ending dates. And that's why as we go on, on an ongoing basis we keep evaluating what are the chances of different projects and when are they starting finishing, when will we get the clearances from the Government to flip it into the InvIT and so on. So, based on those careful considerations, we eventually decide how the money flow at that point of time looks to us. So, while obviously this is an exercise, which will keep on continuing but you can take these as broad guidance towards how money should flow, how the deal is looking. For us most important thing was building this InvIT platform, which I would have mentioned over the last quarter call as well. that the way we have thought about it is, this is a platform like Embassy and a Blackstone REIT that we want to continue building investing in this platform and keep increasing the distribution income that will come to DBL, so #A not only does it give us a good platform to keep flipping our assets into but it also gives a good visibility of long term revenue as we are already focusing on becoming a net debt zero company over the course of next two years. So, after that the cash that we will be getting as a standalone business, we will be looking to deploy that opportunistically in whatever assets or opportunities that we deem best for us, which will ensure further long term visibility of cash flow for the company.

Shravan Shah: Good. Just to understand further, so InvIT broadly, it would be in by 2nd Quarter of FY25 we will be able to set up and the 400-500 crore kind of annual distribution we are seeing so, if let's say this InvIT get set up even in end of 2nd Quarter of FY25, then also this 400-500 crore distribution can come or this is an annual number. So, this would be a FY26 level one can look at 400 crore, 500 crore kind of annual distribution?

Rohan Suryavanshi: So, out of the 18 projects, eight will be going online now, and then the 10 will be going so, this number the total 400 to 500 crores which is always closer to 500 crore that will be achieved in FY26. Before that, it will be half of it, like let's say will come and these are full year numbers that I'm talking about obviously, the distribution income. Now, you spoke about setting up the InvIT in the 2nd Quarter of FY25, the endeavor is to do that, but obviously this is not just singularly dependent on us and Alpha it is also a regulator involved which is SEBI, based on their comments, observations, the back and forth that goes we can only take a best estimate, typically this whole process takes about nine months I would say we have embarked on it. So, six to nine months is the time that one should estimate for this kind of exercise. So, we have embarked on that journey. So, we are also expecting it to hopefully be done within that timeframe.

Shravan Shah: Okay. And in terms of obviously, it's great that slowly, slowly even our working capital also we are reducing so 67-68 days, we say it last time also that 8, 10 days more reduction is possible. So, even in fourth quarter also we can see some further reduction is possible in working capital?

Sanjay Kumar Bansal: Shravan ji, it is already improved around 7-8 days and further when we will reduce the debt and we will get more cash. So, yes there will be impact but, will be in the range of 10 to 15 days in a year total. So, if you compare March 23 versus now it is already moved by five days, further basically it will improve on similar line.

Shravan Shah: Okay, so major possibility would be there in FY25 and not maybe in this quarter maybe one or two days are possible but if 5, 10 days if one can look at it would be possible in FY25?

Sanjay Kumar Bansal: You are right, in total it will be like 10 days reduction in the full financial year basis. So, yes, three, four days or five days improvement will happen in next year.

Shravan Shah: Okay, got it. And sir whatever the pending appointed date and we have already mentioned in terms of the likely this February, March we will be getting this. So, just trying to getting understanding in the sense that, just because of the election will it be, we will be getting appointed or will it be coming even post April, May. So, there can be a further delay in the appointed dates and so net, the revenue for FY25 will it get impacted by that?

Sanjay Kumar Bansal: Shravan ji, out of the total four AD awaited, three ADs we will receive this month, Urga-Pathalgaon and two packages of Bengaluru – Vijayawada package one and package four and package seven, Bengaluru – Vijayawada will be received in March. So, certainly all four projects will receive the appointed date this financial year by 31st March 2024.

Shravan Shah: Okay. And lastly so broadly in FY25, we can still, based on this and whatever let say even the order inflow doesn't come fully this this year, the next year hopefully post-election it will come so we can see 8% to 10% kind of revenue growth in FY25. That's the way we are we are targeting?

Rohan Suryavanshi: Sir, see right now the order book that we have gives us enough visibility for the next year, in fact, almost for 1.15 years, when you look at a pure sort of back of the envelop calculation of revenue and order book remaining. So, next year we don't see any challenge, our growth target that we have given in between 5% to 10% is what we had indicated. And based on that, only we have kind of built everything on back. As we mentioned earlier as well, our focus right now is not on any kind of aggressive growth that you would have witnessed with us in the years of 2016, 17, 18. where we were focusing primarily on growth, and a lot of that growth was also fueled by taking our external capital for equipment and, etc. We our focus now, so we are not doing CAPEX, earlier we used to do CAPEX of 500 crores plus every year in equipment, and we consistently kept on doing that. But now we have brought it down to less than 20% of that. So, it's 50 to 100 crore CAPEX only per year. So, hence, focus is on measured growth, with the focus is on cash flows improvement, focus is on improving ROE, ROCE, those are the kinds of focuses that we have taken debt reduction, that is the focus that we are, and because obviously, our business model is doing everything on our own, using our own equipment and people, if we are focusing more on that and reducing our cost and controlling them, improving asset turns, then we won't be focusing so much on growth, because to get that higher growth, you need to invest again in CAPEX, which we are not looking to do currently.

Shravan Shah: Okay, got it. So, it's the similar 5%, 10% kind of a growth one can look at in FY25 also, and the CAPEX or till nine months we have done 104 odd crores. So, 20-30 crore more one can expect in the fourth quarter or is it mostly done in the nine months CAPEX is the full year number?

Rohan Suryavanshi: Maximum another 10 crores to 15 crores comes or something like that. We can account that.

Moderator: Thank you. The next question is from the line of Narendra from Robo Capital. Please go ahead.

Narendra: So, my first question would be regarding other expenses. So, is there any one off or it's a steady state rate for other expenses?

Rohan Suryavanshi: Just one sec. I'm just asking my team to listen to what the question that you asked whether it's one off. Any other questions that you have till then, till the time my team is looking into that what you asked, what number exactly is that?

Narendra: Okay, so I will ask my next question. Last call you had mentioned that you are also expecting to reduce your depreciation amount. So, any outlook on that and how much savings can we expect in that thing?

Rohan Suryavanshi: Last quarter, we look to reduce our depreciation amount?

Narendra: Yes, we had a target to reduce our depreciation too. So, is there any outlook on that?

Rohan Suryavanshi: Depreciation amount because we are not investing in new assets, so automatically, depreciation amount will keep on reducing as that keeps getting going down and down as per the accounting standard. So, I think and maybe you are indicating towards that.

Narendra: Okay, got it. And the other expenses part?

Sanjay Kumar Bansal: You are referring, the total other expenses or specific one items?

Narendra: No, I am asking that is there any one off in that or?

Sanjay Kumar Bansal: There is one off of 10, 12 crores that's it.

Moderator: Thank you. The next question is from the line of Sanika from Sapphire Capital. Please go ahead.

Sanika: I want to ask; we are on a debt reduction strategy. So, going ahead what kind of interest rate can we expect especially in Q4 and FY25?

Sanjay Kumar Bansal: Thank you, Sanika, for your question. The interest rate will be basically in the range of 9% to 10%, because we have a large consortium, and we are trying with every lender to reduce the interest rate basis our significant positives. So, there will be reduction in near future.

Sanika: So, the finance cost can be in the range of?

Sanjay Kumar Bansal: 9% to 10%.

Rohan Suryavanshi: So, we are looking to improve from our credit thing, which will be a slight improvement, the idea is to also improve the rating of the company, which is also the company has started that process as well. So, as both those things, the external things and as the negotiation with the bankers has been happening, we are looking to do that. But obviously, as you may understand and imagine, it's an ongoing process and with a large consortium it requires the approval of everyone involved.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: So, my first question was with respect to one of the press releases that were given out on 8th of February. This pertains to some notice of claims with invocation of arbitration. And I assume this is with respect to the asset which we sold to Cube, would you be able to share some more information, what exactly is this matter?

Rohan Suryavanshi: This is in regard to a claim that Cube has actually filed against us. And obviously, it's regard to the three assets that we sold to them. We were quite surprised by Cube sending us that and obviously we have sent them a counterclaim. The thing was, and cube is already arbitrating against the Government against the wrongful against, Government meaning NHAI against their wrongful deduction in the annuity payments, that Cube has, Government has claimed some deficiencies in the maintenance of it and which is what Cube is contesting and obviously maintenance is of any of those Cube asset is not part of our sort of agreement with Cube, they are maintaining on their own. So, given that it is a maintenance issue, and they are already in court against the Government, and they have also got some kind of initial stay or something like that. they are also in in receipt of that. So, to send it to us was a little surprising. And, if you look we as a company, we are already managing more than (+30) assets. So, for Shrem, and all those assets that we are doing the maintenance, we haven't ever had any deduction of any annuities ever. There has never been any maintenance issue or anything else that has happened. And these are not just assets in, geographically located in one state, they are in different, different states across the country. And it involves both national Government assets and state Government assets. So, we are very confident whenever we are done O&M and there's a certain way of dealing with the Government maybe Cube, because they are new in the O&M space and the asset buying space, maybe they have faced certain challenges, and they diverted their responsibilities wrongfully towards us. But we are fairly confident that we, because you can't be claiming to the Government on one hand that the Government is wrong in terms of deducing payments, and they are entitled to all, while also saying on the other side, that it is our responsibility. So, basically, you can't be on one side saying that heads also mine and tails is also mine. That's what's basically happening in this case.

Prem Khurana: I completely agree. But do we have any payments due from Cube and I realized that you have received a large part of the payment, but generally in most of these cases, you tend to have some of these deferred payments linked to some GST change in law, and all?

Rohan Suryavanshi: We don't have anything outstanding from Cube.

Prem Khurana: Everything is recovered?

Rohan Suryavanshi: Yes.

Prem Khurana: And Rohan, so the prospects pipeline that you spoke about INR 1,30,000 crore would you be able to kind of break it down into how much of this would be EPC, how much HAM and BOT and given the fact that I'm buying next year, maybe would be as good as zero debt company, would you be willing to let go and explore the BOT toll, because there I'm assuming that the competition will be lower and compare to EPC or HAM would you be willing to kind of go and explore BOT toll once the balance sheet is deleveraged?

Rohan Suryavanshi: So, sir first the breakup between those projects, 1,30,000 crore that I spoke about, it's about 20% odd is EPC and the rest 80% is in PPP so about 1 lakh crore of PPP projects are there in that breakup. And for the second thing that you spoke about whether we would be open to BOT, of course we are open to BOT as there is a HAM project, we are completely open. And as we are getting lighter, we have no problem along with that our own balance sheet getting lighter we also have a partner here who is also willing to invest and grow that pie of the InvIT that they are going to be part of. So, we have also some options open to us, we evaluate all projects individually on their own merits. In the past also, we have done BOT toll projects, one of which was Guna-Biaora project which was on NH3 or Agra-Bombay Road, so it was part of that. And that has done very well for us. While obviously, we have divested that to Shrem, and it's a good part of their portfolio. So, even in future, we will be continuing to evaluate projects wherever we feel the traffic numbers justify the economic cost of building the project, and we see enough safeguards built in for a long-term traffic, sort of comfortability that you need.

Prem Khurana: Sure. And the InvIT that you are planning to create would have mandate acquire any sort of PPP projects, it is not restricted only to HAM, your company so I am not sure about Alpha Alternatives whether they would be comfortable with BOT. If you have any mandate in place, wherein it restricts the asset addition only to a single category, let's say HAM, or is it open and you can consider BOT as well?

Rohan Suryavanshi: It's an open-ended thing, we are looking both Alpha and us, we are people who have taken a call on evaluating opportunities as they come, as long as they are meeting IRR hurdle, we will be open to looking at them, we have no other sort of hiccup or restriction on any of that to not look at something. We are open to buying it from other players, we will open to look at both BOT and HAM.

Prem Khurana: Sure. And, the fact that the balance sheet has become very, very light now and it is supposed to go lighter even further. Any thoughts on accelerating growth in between because we want to conserve cash, the idea was to deliver, we went a little slow in terms of growth and even this year 5%, 8% odd sort of number in terms of growth. Could you think of accelerating and would that need you to kind of invest more in capital or other equipment's or let say working capital?

Rohan Suryavanshi: Sure. Accelerating growth.

Prem Khurana: What should be the ideal number when you look at growth, I'm sure we won't set it for 5%, 8% odd the idea would be to kind of grow better than that number for sure. But any thoughts there?

Rohan Suryavanshi: Sir our focus is on free cash flow that the company generating at the end of the day. That is my biggest focus currently, that is our biggest focus inside the company. That we want to make sure that we get that, now when it comes to. So, when we speak about why the growth and everything. Growth is always based on #A, the company's own current stance, which is an internal factor and the external factor, which is how the external market, the opportunity from the Government is looking. Now, in our case, if I'm sure since you follow the sector very carefully, the road sector has seen a lot of competition of late. And it's not when you look at from 2014 to 2019, the average number of bidders in any bid will be about six to eight we didn't find more than that in that era, because all the earlier growth well company has gone bust, so all of us younger guns, we know whether it was us or any of our peer sets who are in the listed space currently, all of us had a good run at that time. Currently, the number of bidders in the road sector has increased quite a bit. And if you look at it, in the last few years the number of HAM projects that have been won by the smaller players has been actually 2/3rd. So, a lot of the smaller players have come in. So, you don't want to chase growth at the expense of your profitability and at the expense of your cash flow. Our idea is that, why when we started diversifying a few years ago, we knew that sooner or later, this is an industry which suffers from the same issues globally, we wanted to make ourselves more resilient to such shocks, we wanted to be able to be operating in different areas, wherever we find good opportunity take those opportunity. And that's how kind of we have done it. If you look at our peer sets as well, there was a struggle to build order books currently, because they were primarily focusing on a single sector or a certain geography maybe primarily, through this, all of those strategy of people who have consistently remained in this road sector my peer sets all of them are also facing those challenges far more than us. But at least for us, what's the good that has happened is because we diversified, much ahead of the pack, we build teams in all those sectors that are diversified, we build capabilities, we build the required credentials, we did all those things, equipment bank, so we are in a good strength and that's why we are evaluating projects across geographies, across sectors and that's what's most concerning for us right now. Chasing growth, as when the opportunity arises, when you see that this is the right opportunity to strike or if you find a new project, which really excites us and we get it at the right place. Sure, we will do that when we get the right opportunity. But the idea of growth dictating every of our strategy is not there anymore. We would probably, as a young upstart, my father and Devendra bhaiya both are first generation entrepreneurs. Both of them came from very humble middle-class backgrounds. So, for them, when they were growing the business, the idea of big, diversified business, a listed business, growing size, with it in different sectors. And geography was a sexier idea at one point of time. As we have, gone through our own journey, and they have gone through their journey, as a company and entrepreneurs, facing the shocks of COVID. There we're certain realignment of things that we felt of how we want to sort of go forward. And what do you want to do. And that is basically why we have identified how we want to take forward this company. And those are the metrics that we are currently focusing on. And measured growth is the focus, not aggressive stance on growth, any opportunity comes we look at it opportunistically, but it's not dictating our overall strategy.

Prem Khurana: Sure. I have two more question, may I please. So, both are bookkeeping sort of, so one is, we have some exceptional gains during the quarter, what's the tax implications, exceptionally how much would be the number in our tax for the quarter which would pertain to the exceptional gain. And second is, I'm not sure if you gave any inflow guidance for the year FY24. You spoke about some of these tenders, kind of thing in Q1 or Q2, but then do we have any target for this year, because it's been only 2,600 odd crore?

Sanjay Kumar Bansal: The exceptional gain basically these are the long-term capital gain. So, the long-term capital gain rate that is (+10%) the surcharge will be applied, but we have past capital loss so there will be no cash out ago, very significantly.

Prem Khurana: Okay.

Rohan Suryavanshi: The second for the order book. Originally, we had targeted about 8,000 odd crore of orders this financial year. Till now we have only done about 2,600 crores. And as we mentioned, there are some projects which are still waiting to be opened up. So, I can't finally say how much will open and how much do we end up getting this year. But our order book to bill is still 1.75 years of still forward looking. So, we have enough visibility for the next year and for the majority of this year after as well.

Moderator: Thank you. The next question is from the line of Vishal Periwal from IDBI Capital. Please go ahead.

Vishal Periwal: Sir, on the footnotes, there are couple of clarifications if you can provide, one is the Shrem units that we have sold, so is this the first such transaction we have done or have you done this before also?

Sanjay Kumar Bansal: So, this is first time we have sold certain units for around1.1 crore units we have sold, this is first time.

Vishal Periwal: Okay. And will it be fair to say like, it's more of opportunistic point of view or any such things planned to the parties to whom we have sold it again FY25 or anything, that you can provide a color?

Sanjay Kumar Bansal: This is opportunistic sales; we were getting good price. And the units were free, so basically and the other side we are reducing the debt also. So, the idea is to basically capitalize everywhere. So, that is one, and this is a completely opportunistic sell.

Vishal Periwal: Okay. So, is it like to individual or institutions without naming it?

Sanjay Kumar Bansal: Majorly it is one institution.

Rohan Suryavanshi: It's a Global institution, which has bought it.

Vishal Periwal: Great sir. And second, there's one more footnote wherein you mentioned that incurred a loss of some amount. So, is that fair to understand like, the total amount received is something like 57 or 67 odd crore, loss is like 44 crores so, something like we have done this transaction on a price to book basis at around 0.6 times is that fair to understand that?

Sanjay Kumar Bansal: No, actually we just sold total 10 assets to Shrem InvIT out of 10 assets, in one asset while transferring 51% there was a loss of 40 odd crores and that is because there are valuation model and on second closing there are adjustments in terms of the agreed mechanism of valuation. So, that is why it is loss. So, it is not 0.6 times or so, the overall deal, multiple is more than 1.4 times.

Vishal Periwal: Okay, so basically, it's not for one particular project one should look it's a portfolio and the deal is concluded on 31st December, so maybe like in combined total this is the probably that you have booked?

Sanjay Kumar Bansal: No, so the asset is transferred one by one. So, once we receive 49% approval from NHAI we transfer after collection of first annuity the 51% goes. So, yes, on an overall basis, on 10 asset basis the multiple is 1.4x plus. However, in this asset specifically, while transferring 51% there is a loss of 40 odd crore. So, including this 40-crore loss, still the total valuation is 1.4x of the total investment.

Vishal Periwal: Got it, sir. And then one last thing, probably you would have covered this in previous call, in the coal mine when we do extraction and we are probably doing a 1,500 crore in FY25, what sort of margins that we can make and as the mining increase in terms of the million-tonne increase, does the margin also expand?

Rohan Suryavanshi: So, we are expecting margins of around 20% in that business.

Vishal Periwal: Okay, so that's the kind of peak probably like, 1,500 is a 20%?

Sanjay Kumar Bansal: Yes, we are looking at in that on an EBITDA basis.

Vishal Periwal: Sure, got it. And then one last thing, you did mention initially that short term is construction business and long term is asset ownership business. So, in terms of asset ownership, any sector that probably looking attractive to you or probably anything that you are heading from an industry that will venture going ahead, anything that you can provide a color will be useful sir. That's all from my side.

Rohan Suryavanshi: Currently the two sectors that you mentioned, focusing on that other sectors that we might be looking at would not be right through you are speaking about our strategy over the call but we keep on evaluating like I said on an ongoing basis and if anything starts for us, we will obviously share with our lovely well-wishers such as you, once that gets executed.

Moderator: Thank you. The next question is from the line of Manisha Agarwal from Middlecon Advisors. Please go ahead.

Manisha Agarwal: I joined the call a bit late, so just one bookkeeping question, what is the trajectory of our interest costs going ahead?

Rohan Suryavanshi: Manisha ji, it will keep on reducing as our debt keeps on reducing the trajectory will be of the interest cost will also keep on reducing, in totality it will keep on reducing and as also we negotiate better terms with the banks, given that the outstanding liability would have reduced quite a bit both those things should have a positive impact.

Manisha Agarwal: So, do we have like any target going forward for FY25 or FY24 in terms of finance cost?

Sanjay Kumar Bansal: So, in terms of the interest cost, so, interest cost is between 9% to 10%, but there are other items like the infra business requires a lot of non-fund base limits. So, it is not just 9% on the fund base outstanding. So, yes there will be a reduction in the interest cost in absolute terms and in terms of the interest rate on fund-based facilities between 9% to 10% and we are continuously negotiating with the lenders to reduce the interest rates.

Moderator: Thank you. The next question is from the line of Vaibhav Shah from JM Financial Limited. Please go ahead.

Vaibhav Shah: Yes, so, we have booked the present value of the claim amount of 209 crores pertaining to the three assets that we have sold to InvIT. So, when do we expect the actual cash to come in under the defer consideration?

Sanjay Kumar Bansal: Sir basically, the 209 crore which is a total receivable to the SPV and SPVs have already sold to Shrem InvIT so, they will be receiving till the time all annuities are not paid, but between DBL and the Shrem InvIT, they will be discounting all the change in law on the financial model, valuation model so for DBL the value accrues to 64 crores.

Vaibhav Shah: That 64 crores will be receivable or we have already received the amount?

Sanjay Kumar Bansal: We will be receiving this amount in near future.

Vaibhav Shah: Okay. So, secondly when do we expect to receive, when do we expect to receive the balance amount of the warrants, 75% warrants?

Sanjay Kumar Bansal: As per the SEBI rule the investor can subscribe the shares within 18 months from the first subscription which is December 21st, 2023. So, from there they got 18 months. So, balance money as per SEBI guidelines comes after 18 months from December, but the investor may invest even earlier.

Vaibhav Shah: Okay. Sir we factor that around 500-600 cores are expecting from Alpha in FY25. So, are we factoring anything from that front or that would be expected in '26?

Sanjay Kumar Bansal: From our 18 assets 26% so from first eight assets the first 500 crore will be coming and from another 10 assets 26%, the other money will be coming but these 400 crores is not included in FY25.

Vaibhav Shah: Okay. And sir what is the tax rate that we can expect in '25 and '26?

Sanjay Kumar Bansal: So, as Rohan ji updated you during this call, we are targeting FY26 March 31st, '26 net debt zero.

Vaibhav Shah: I am asking about tax.

Sanjay Kumar Bansal: So, the maximum claim that is 35%.

Vaibhav Shah: Okay. And sir lastly, for the initial 19 assets that we are under deal with Shrem and Cube, what is the amount sitting in our balance sheet as of third quarter?

Sanjay Kumar Bansal: So, at the end of the third quarter there is only one asset pending to be transferred which is Pathrapali-Kathghora 51% to be transferred, we will be receiving around 42 odd crores against that transfer.

Vaibhav Shah: So, our investments and loans in the books are for the current portfolio now, apart from that among for Pathrapali?

Sanjay Kumar Bansal: Pathrapali the exact invested amount I will just check and it is around 18.2 crore.

Vaibhav Shah: Okay. So, apart from that there is nothing for the other 18 and 19 assets that we already sold are under the process?

Sanjay Kumar Bansal: So, with the transfer of 51% in Pathrapali-Kathghora the entire 18 assets will be transferred completed.

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

Shravan Shah: Sir, just a clarification you mentioned that in other expresses there was a 10 to 12 crore one off what was this related to?

Rohan Suryavanshi: We will look into the details and get back to Shravan ji, I will ask my team a detailed thing to look into it and get back to you.

Shravan Shah: Okay, got it. So, this 35% tax rate at that P&L level will be there for FY25, FY26 also the same rate will continue or we will be moving to 26% tax rate in '26?

Rohan Suryavanshi: We will continue with this rate only because we still have some outstanding tax, mat credit available with us.

Shravan Shah: Okay. And DBL infra date as of December is how much?

Rohan Suryavanshi: Same as it was the last quarter 675. So, it's the same, we haven't drawn any more money, we are in fact looking to reduce that also.

Shravan Shah: Okay. Previous two participant has also asked so; we are just trying to figure it out in terms of the finance cost in terms of absolute level. So, this quarter was 129 odd crore. So, by end of this year or further whatever 300 odd crore debt reduction and next year also we are looking at 800 crore kind of a gross rate reduction. So, in that scenario in FY25 at finance cost level and how one can look at, how much more reduction so, this year will be 520 crores to 530 odd crores. So, will it be reduced by 130 crore, 150 odd crore at least minimum. So, that's the way we are trying to understand.

Rohan Suryavanshi: So, we expect that it will reduce at least by 100 crores or whatever financial cost will be this year. It will reduce by at least 100 crore even on the conservative side. I don't want to give this outstanding but on a very conservative side. So, it should be a descent item, but on the conservative side it should reduce by that much at least.

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

Rohan Suryavanshi: I, on behalf of the whole DBL team would like to thank all the participants who are coming and asking questions about the company. As always, it was my pleasure to be able to share our journey and till now and our thought process going forward. I look forward to seeing all of you guys on the next conference call. At the end just wishing all of you guys a very, very Happy

New Year in advance and hoping that this year may be the best year for all of you guys. Thank you.

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