



DILIP BUILDCON LIMITED
INFRASTRUCTURE & BEYOND

February 17, 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

Scrip code of Listed NCD: 959525/959643

Subject: Transcript of the Analyst/Investors conference call

In continuation to our letter dated February 10, 2023, please find herewith the transcript of the Investor conference call for Investor and analyst held on Friday, February 10, 2023 at 06.00PM (IST) related to the financial results for the quarter ended December 31, 2022, conducted through digital means.

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

<https://www.dilipbuildcon.com/wps/portal/dbl/investors/shareholders-centre>.

This is for your information and record.

With Regards,
Sincerely yours,

For, Dilip Buildcon Limited

Dilip Suryavanshi
Chairman and Managing Director
DIN : 00039944
Encl: Transcript of call



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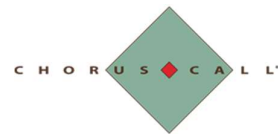
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“Dilip Buildcon Limited
. Q3 FY '23 Earnings Conference Call”
February 10, 2023



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: **MR. JITEN RUSHI – AXIS CAPITAL**



*Dilip Buildcon Limited
February 10, 2023*

Moderator: Ladies and gentlemen, good day, and welcome to the Dilip Buildcon Limited Q3 FY '23 Results Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jiten Rushi from Axis Capital. Thank you. Over to you, sir.

Jiten Rushi: Thank you, Darwin. Good evening, everyone. On behalf of Axis Capital, I would like to welcome you to Q3 FY '23 Earnings Conference Call of Dilip Buildcon. From the management, we have with us today; Mr. Devendra Jain, Executive Director and CEO; Mr. Rohan Suryavanshi, Head, Strategy and Planning; Mr. Sanjay Kumar Bansal, CFO. We also have with us Investor Relations team from S-Ancial.

We thank the management for giving us this opportunity. We shall begin the opening remarks on the management followed by Q&A session. I would like to hand over the call to the management for opening remarks. Thank you, and over to you, sir.

Rohan Suryavanshi: Thank you, Jiten ji. Good evening, ladies and gentlemen. A very warm welcome to all of you to the Q3FY '23 Earnings Call of the Dilip Buildcon Limited. It's my great pleasure to be able to present to you guys. The earnings presentation was uploaded on the stock exchange. I hope you all had a chance to have a quick glance at the same. I'll take you through the key highlights for the quarter for the next 15 minutes or so. Post it, we will take Q&A. But before I begin, our standard disclaimer.

The presentation that we have uploaded on the stock exchange today, 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.

So having said, let me begin. So first, let me talk about the Indian economy and the broader outlook. So Indian economy's pace of recovery has been better as compared to the global peers, despite headwinds such as high inflation, monetary policy tightening, rising interest rate and the Russia-Ukraine war. We continue to remain the fastest-growing economy among large economies. Reserve Bank of India and its latest remote has estimated GDP growth to continue to remain above 6% for the Indian economy. So this is a very strong performance in our view, given everything that is happening globally.

However, rising inflation, which has got factors also led RBI to increase benchmark interest rate cumulatively by about 250 basis points in the fiscal year 2023. So this obviously impacts the economy in general. Moving on. The big event that has happened recently is union budget. And the reason we announced Indian budget, Indian government has announced the highest ever capital outlay from infrastructure at INR 10 lakh crores. This is about 3.3% of GDP and is an increase of 33% versus the previous allocation in FY '22.

This shows the commitment and continuous focus of the government on the infrastructure sector. Ministry of Road Transport and Highways was allocated about INR 2.7 lakh crore, while railways got the highest ever outlay at INR 2.40 lakh crores. Defence and Infrastructure bought about INR 1.6 lakh crores each. And rural ministry got about INR 1.6 lakh for increased development for increase in trait development. While border infrastructure about INR 23,000 crores or so.

So for railways, budget allocation has increased about 72% from the previous year. While for roads, they will jump up about 35% versus last year. An increase in the capital expenditure on the infrastructure investment, as announced by the finance minister in our budget speech, will go a long way in creating more opportunities for the sector across roads, bridges, houses, buildings and other infrastructure contracts.

This, in our view, also paved way for a very strong order pipeline and awarding activity for many quarters. With all-time higher tax collections, stable fiscal deficit, credit rating, we believe that the government will find enough resources to invest into the infrastructure.

Revenue-generating assets like Fastag collections have also been strengthening behind of the government. Fastag collections have consistently improved from about INR 7,500 crores in the first quarter of FY '22 to about INR 11,300 crores in the fourth quarter of FY '22. And in FY '23, we are seeing that the quarterly fastback collections have been more than INR 12,000 crores every quarter in the first 9 months of the fiscal year. To improve toll collections, which are very critical for faster monetization of road assets by the road ministry and are great for the government to shore up their finances. This is also helping the companies who are looking to monetize on their existing toll assets.

Besides this, on the input prices, good news is that inflation has slightly subsided. While raw material prices have continued to soften, but still we are yet to see the normalized price levels across raw material prices. Aluminium price is now down 10% versus last year. Steel prices have remained stable in the third quarter versus second quarter. But overall steel prices are down 22% from April levels, but still up by 10% versus last year.

Overall, cement prices have also been one of the highest in for many years. So while more contractors have seen a positive impact of reduction in input cost in the second half FY '23. We continue to wish for more reduction in input prices. On the project award momentum in the sector during the third quarter, project comportsing NHAH picked up speed as we saw more than



*Dilip Buildcon Limited
February 10, 2023*

1,500 kms of work were awarded in the third quarter versus about 800 kms of work in the first 2 quarters of the financial year. This amounted to more than INR 43,000 crores loading the first 9 months of the fiscal year.

However, there is a lot more that needs to be done because the government's target was about 6,500 kms of work. And so which means roughly about 4,000 kms of work to be awarded, while there is a healthy pipeline of orders which have been voted by the government. Hopefully, a lot of them will see them materializing in this quarter.

On the other hand, Ministry of Road Transport and Highways has also constructed about 5,774 kms of national highways up to December '22-'23 as compared to 5,835 kms constructed to December '21-'22. So construction there is while slightly lower than last year, but roughly about the same number. The awarded figure for MORTH is about 7,200 kms plus compared to about 600 kms during the same time in the previous year.

Now let me talk about the performance for the third quarter of FY '23. Our order book has increased from INR 26,539 crores to 26,338 crores at the end of September quarter. We had received about INR 6,817 crores in a quarter in the first half of FY '23. We are happy to say that in the third quarter, we have received letters of acceptance for more than INR 7,500 crores of projects and bodes well for our execution going forward. We are also happy to inform that we've been declared L1 bidder for Riva Jal Nigam Project worth was INR 1,947 crores in quarter 4.

And we have received letter acceptance of Bengaluru-Vijaywada project worth INR 1,373 crores. This now takes us closer towards our full year target of INR 12,000 crores order to guidance that was given in FY '23. We look forward that our fourth quarter with very high optimism and feel comfortable with our order inflow guidance.

Our execution strength was also reflected in the Rewa Sidhi project in Madhya Pradesh, where we rewarded early completion bonus. So all these details are available in our presentation and that happy for all us to look at it. Now let me please pass on to our CFO, for comments on the financials.

Sanjay Kumar Bansal:

Thank you Rohan ji. Good evening, everyone. I welcome all our customers to the call for this quarter. So let me present the results for the quarter 3 of FY '23. Firstly, the revenue increased by 8% in quarter 3 FY '23 and 12% in 9 months FY '23 Y-o-Y basis. This is mainly due to better executions of projects. The EBITDA margin increased from 0.29% in Q3 FY '22 to 10.50% in Q3 FY '23. EBITDA increased by 39% in 9 months FY '23 in absolute terms on Y-o-Y basis.

Finance costs decreased by 14% in Q3 FY '23 and 18% in 9 months FY '23 on account of reduction in outstanding debentures, term loan and lower utilization of working capital facilities. The company registered profit of INR 795 million in Q3 FY '23 vis-à-vis a loss of INR 967 million in Q3 FY '22. This 182% increase on Y-o-Y basis is on account of better EBITDA



*Dilip Buildcon Limited
February 10, 2023*

margins, lower finance costs and profit on account of divestment of four HAM projects to Shrem InvIT.

On 9-month basis, we registered profit of INR 1,635 million, whether there's loss of 890 million in 9 months FY '22. This is on account of higher revenue, lower finance costs and profit on account of divestment to cube and Shrem InvIT.

Now let me take you through some important items of the balance sheet. The inventory as on 31st December 2022 to decrease by 112 million vis-a-vis 30 September 2022 and 753 million vis-a-vis 31st March 2022. Big Data as on 31st December increased by INR 3,063 million vis-à-vis 30th September 22, and sales will be realized. The increased debtors will be realized in Q4 FY '23.

There is an increase of 10 days in working capital day's vis-à-vis September '22. This is mainly due to increase in debtors days. However, it is at the same level of March '22. The net debt-to-equity ratio marginally decreased on 31st December '22 to 0.58x from 0.63x as on 31st March '22. Here, I would like to highlight that the company is continuously on track of reducing debt on quarter-on-quarter basis since last 2 years. Cash generated from operating activities stood at INR 2,285 million during Q3 FY '23 and INR 4,743 million during 9 months FY '23.

Thank you once again. Now we can open the floor for the Q&A.

Moderator:

The first question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah:

Thanks for the opportunity. Sir, a couple of things first on the revenue front. So in terms of the INR 10,000 crores revenue that we were looking for the FY '23. So just wanted to recheck are we able to do that because we need close to INR 2,700 crores revenue in quarter 4. So just wanted to check on that first?

Sanjay Kumar Bansal:

Shravan ji as guided in the past calls, we are very close to the guidance given. We are almost on line to the guidance given. So yes, you are right. We are around INR 10,000 crores revenue on a full year basis.

Shravan Shah:

Second, sir, on the EBITDA margin front, so there from the last quarter, Q2, we had 11.6%. And now again, it has come down to 10.5%. So, for 9 months, we are at 9.9%. We were looking at 12% to 13% for FY '23. So for that, we need a significant improvement in margin in Q4. So how much now are we looking at for the full year margin?

And maybe you can help us with the fourth quarter how much we are looking at. And at the same time, in terms of the FY '24 because the past old projects last time you said that most of the projects is 90%, 95% is completed then in this quarter on Q-o-Q basis, there is a decline. So despite there is an improvement in the top line. So I just wanted to understand on that front.



*Dilip Buildcon Limited
February 10, 2023*

- Sanjay Kumar Bansal:** So in terms of the EBITDA guidance, yes, we are a bit below the guidance given. But on a full year basis, we will be close or around 11%. In terms of the FY '24 guidance, on revenue side we expect around 10% to 15% increase. And EBITDA, we are basically targeting or will be around 12% EBITDA. So basically, this is our guidance as on today for FY '24. I think we have answered all your questions, the guidance part.
- Shravan Shah:** Yes. I just wanted to further understand is there any specific reason why now we are only looking at 12% or for the next year as a whole also because now the old projects would not be the issue and whatever the new project we should be able to get 13%-14%. So just wanted to more clarity why we are now only looking at 12%?
- Sanjay Kumar Bansal:** So there are two, three things. First thing is that as you know that now the bonus got eliminated because now the time lines are for stringent that it is next to impossible to get the bonus. So that is the first thing. Second thing, if you will see there the fuel price in and material prices is still not decrease at that level, which you were expecting. So right now, for the past guidance of the 12% and then we will come to the Q4, we will see that we can increase where we'll be reaching.
- Shravan Shah:** Third on the date front, it's good that at least on Q-o-Q front, we have been able to INR 136 crores reduction on the gross rate front, but we were looking at close to INR 400 crores to INR 500 crores reduction in this second half. So we need at least the same kind of a INR 300 crores kind of a reduction from here on in the fourth quarter. So can we do that?
- Sanjay Kumar Bansal:** So Shravan ji, you are correct. So we have given under guidance of the INR 400 crores reduction. So we are close to that, and we will be reducing about INR 200 crores in the FY '23 financial year. So around INR 200 crores we can be there and we will be the INR 2,400 crores net debt as on FY '23 end.
- Shravan Shah:** So INR 200 crores from the March '22 we will be reducing?
- Sanjay Kumar Bansal:** INR 200 crores from this level. So this level is INR 2,600 crores. From this level, we will raise further INR 200 crores. So cumulative, there will be a reduction of INR 350 crores vis-a-vis mark.
- Shravan Shah:** Second thing, just wanted to understand Surat Metro CS5 INR 1,061 crores project we received, but it is not part of the order book. Is there any specific reason for that?
- Sanjay Kumar Bansal:** Yes. So because the tender has been received in the form of JV. We will be executing that project in JV partnership. That is why we are not including in the order book, and we don't want to disclose our order book. But Ahmedabad Metro and Surat Metro, which we have received and individually, we will be executing that.
- Shravan Shah:** And on the working capital front, though definitely Q-o-Q it has increased, but 89 days, it is same as the March. So how much of more reduction. But you mentioned that the debtors we have received in January. So 80 days, we can look at by end of March?



*Dilip Buildcon Limited
February 10, 2023*

- Sanjay Kumar Bansal:** Yes.
- Shravan Shah:** Lastly, on the capex front, definitely, it's not significant for us, INR 55-odd crores. So for fourth quarter, how much more we are planning and for the next year, how much capex are we looking at?
- Sanjay Kumar Bansal:** So Q4, we'll be doing around INR 10 crores to INR 15 crores capex. So it will pay to do around INR 70 crores. And for the next year, it will be around INR 50 crores capex, which will be there like kind of special equipment like for the metro and the Jal Nigam and Jal Mission that so on replacement INR 50 crores.
- Shravan Shah:** Last on the bid pipeline front, sir. So how much more now are we looking at? And in terms of - because this is one issue where all the players are facing are not able to get the orders, particularly from the NHAI front. So just wanted to understand the pipeline is there, but in terms of awarding it is not happening. Also, how many bids sort of value have we submitted or planning to submit how much are we looking from the EPC or HAM or any other segments? It would be helpful.
- Sanjay Kumar Bansal:** Shravanji total pipeline of NHAI and mostly is about INR 1,40,000 crores. Out of that, about INR 1,10,000 crores are HAM projects and rest of the project is from the EPC brands. No doubt, there was a Q3 bidding pipeline till now but the speed of opening and bidding bit slow but now it is ramping up. Most likely, as we go to Q1, all the bids will be opened and there will be an improvement in Q4.
- Shravan Shah:** So have we already submitted – awaiting...
- Sanjay Kumar Bansal:** We have submitted 10-15 bids and we're awaiting for the bid results.
- Moderator:** The next question is from the line of Mohit Kumar from DAM Capital.
- Mohit Kumar:** My first question is what is your appetite for the orders, given that we have a very healthy order book, right? My question is, are we desperate for order? Because given that we have a very large order book and that gives us a healthy visit for FY '24. So are you going all out? Are you being conservative in bidding right now?
- Rohan Suryavanshi:** We're not desperate in our order because like I said in my opening remarks, we had about INR 200 crores to INR 12,000 crores of auto wins new order in this year. And we are near that number. So there is already a significant sort of -- and the good part is if you look at our presentation, our order book is very, very from diverse sectors. So there is water as well. There is metro as well. There is road as well. So all of them there we have a very diverse order book.
- So currently, it's about INR 26,500 crores plus order book. So there is no desperation there is a very strong and robust pipeline the orders which have already been floated by NHAI and what beside the other divisions that we look at, like when we look at whether we look at water, metro,



*Dilip Buildcon Limited
February 10, 2023*

mining, all those have new and new orders coming in. And to add to that, we have a lot of comfort from the fact that the government has increased the budgetary allocation to infrastructure by 33% to getting it to INR 10 lakh crores. So now as such, we are in a comfortable case.

Mohit Kumar: And we have been executing a lot of irrigation, mining orders for the last few years. How has been your experience or margin on the non-road orders? And are there any fixed price contracts in the basket?

Rohan Suryavanshi: Sir, our experience has been largely decent amongst the other sectors, which is why we have kept on improving and increasing our exposure to those sectors. The thought process when DBL first started off on this diversification excite in 2015 or so, was that as you are growing as a growing and ambitious company, there were two types of things that we were doing. One was the geographical diversification and the other was the sectoral diversification. We wanted to reduce the risk of being concentrated in one sector or in one geography. So that's why we did that.

Today, we are in 20 states, and we are working in some eight different sectors and getting very good revenue from all. And roads, which used to be our mainstay and almost 90% of our order book before then or 100% is now only 45% in the increase in order book.

And the way we went about diversification was where we tried to do sectors, which were either us in close proximity to what we're already doing and require a similar kind of equipment. So the experience and value is good there might be some hits and misses along the way as we go into a new sector. But largely, we have been satisfied with what's been happening, and we are optimistic about the increasing opportunities bright will continue to come in the coming years.

Mohit Kumar: Lastly, on the on Siarmal Open Cast mine, I think there was a media in that there's an issue with getting the land. How is the situation right now? And when can we expect the revenue booking from this particular project?

Rohan Suryavanshi: Which project are you talking about, sir?

Mohit Kumar: Siarmal.

Rohan Suryavanshi: No, sir, Siarmal, the land has been acquired by the government already said -- and they appointed it has also already come on second January. So I don't know what the media report of what things you're looking at. In the MDO process, in fact, also very have to say that usually, typically, MDO takes 3, 4 years of preparation time before revenue comes. We will start delivering revenue in this quarter. And then going forward, we will have like a full-blown sort of revenue, they'll be adding a significant amount to our revenue year-on-year.

Mohit Kumar: How much you expect to mine, sir, in FY '24 and FY '25, if I get that?



*Dilip Buildcon Limited
February 10, 2023*

- Rohan Suryavanshi:** Sir, about 5 million metric tons is what we are targeting with the government contract.
- Moderator:** The next question is from the line of Shravan Shah from Dolat Capital.
- Shravan Shah:** Sir, DBL Infra date is the same INR 700 crores?
- Rohan Suryavanshi:** Yes sir.
- Shravan Shah:** And then we are not looking at right now in terms of INR 200 crores, INR 300 crores that the option we have in terms of the increase.
- Rohan Suryavanshi:** Yes, we have that option. Right now, we have no immediate plans to draw down on anything, but that option continues to be with us and are if we have any need at any point in time in terms of investment units. We already have that option. But currently, we have no such plans.
- Shravan Shah:** And sir, in terms of the now, definitely Devendra has mentioned that the pipeline is there and we are also looking at. But our internal expectation in terms of next 2 months, how much more can we win in terms of the further orders. So for the full year, how much that number goes in terms of order inflow?
- Rohan Suryavanshi:** In the next couple of months, we think about another INR 4,000 cores, INR 5,000 crores of orders will come in. So already until now we have already reached about INR 10,000 crores of orders. So we will actually end up exceeding our guidance. So the target is about INR 30,000 crores as on 1st of April. So hopefully, and this is all dependent on how many orders the government opened up and all, but we are fairly confident that we are looking around that number.
- Shravan Shah:** And then across the board in terms of the execution level and then I see terms of a couple of HAM projects, four or five are appointed debt is slightly getting delayed for the -- versus the last time what we were expecting? So anything in terms of the land or anything issue on that front where we have not started. And wherever we are doing the execution of anything you want to highlight everything is going smooth any specific state or projects where we are facing issue?
- Rohan Suryavanshi:** No, Shravanji, I always appreciate the amount of detail that you get into. The thing is that I don't foresee like the aggregation is going good now. Obviously, last 2 years, COVID had really disrupted. We had exceptional rainfall as well that had happened in 2 years. So at least all of those disruptions have not happened as much. Execution is going good across. There is no big sort of disruption that I am foreseeing right now in terms of land acquisition, it's business as usual.
- We are also quite in the fact that we have not been able to take you guys on site visits for the last 2, 3 years because of COVID. But hopefully, in the near future, we can continue that exercise once again and take you down to the site so that you can see the progress by our own eyes. But right now, it's all business as usual.



*Dilip Buildcon Limited
February 10, 2023*

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Rohan Suryavanshi: Thank you all participants. We are looking forward to more questions. But I guess, the presentation has a lot of detail. But in case any of you guys have more questions, please feel free to reach out to our team here at DBL or our Investor Relations team at S-Ancial, and we'd be more than happy to address any and all of your queries. And I wish all of you a good into the financial year, and I look forward to speaking to you on our quarter 4 call.

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