



# “Dilip Buildcon Limited Q3 FY17 Earnings Conference Call”

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**MODERATOR:** **MR. BHAVIN VITHLANI – AXIS CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to the Dilip Buildcon Limited Q3 FY17 Earnings Conference Call, hosted by Axis Capital 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 the operator by pressing ‘\*’ then ‘0’ on your touchtone phone. I would now like to hand the conference over to Mr. Bhavin Vitlani from Axis Capital. Thank you and over to you, sir.

**Bhavin Vitlani:** Thank you **Lissan**. Good evening everyone and on behalf of Axis Capital, I would like to welcome everyone to the third quarter FY17 earnings conference call for Dilip Buildcon Limited. From the management team we have with us today Mr. Devendra Jain - Executive Director & CEO, Mr. Rohan Suryavanshi – Head of Strategy & Planning and Mr. Vaibhav Rawat – CFO. Without much I do, I would like to handover the conference call to Rohan for the opening remarks and post to which we will open the floor for Q&A. Over to you Rohan.

**Rohan Suryavanshi:** Thank you Mr. Bhavin. Firstly, I welcome all of our investors to this conference call of quarter ended 31<sup>st</sup> December 2016. Secondly, I would also like to wish all of you a very Happy New Year and I hope that this is the best year yet for all of you. Now I would like to quickly give you some of the brief industry updates and then some of the brief numbers and figures of the company and then I will handed it over to Mr. Vaibhav Rawatji.

So, the union budget which is the big news recent they have had, we have seen the central government make a big push for infrastructure as they are been doing in the last 2 years. This year was another in line with whatever they done, the increased allocation from 57,976 crores to 64,900 crores to this year. Along with this housing for all was core, at the core of the budget increased allocation of Rs.23,000 crores under Pradhan Mantri Awas Yojana higher NHB finance of Rs. 20,000 crores and other fiscal initiatives indicate strong government thrust on the sector.

We are also looking very attractively at opportunities in the sector and we feel in the next few years this sector should also contribute significantly to Dilip Buildcon. Hence all these announcements by the government were a very welcome step for us. Another big that happened in this quarter was demonetization, as you are all aware that toll collection was suspended across all highways across the country because of this. A lot of players who pushed who are focused on people behind basically depended on toll projects I had to sort of look at temporary cash flow issues. For us as a company the call that we have taken that we will focus primarily on annuity assets has held us in good stead during the situation where we did not really feel a pinch of this big step that the government had done.

Then coming on the awarding side that happened until this year even though NHAI had set up self and aggressive target of about 25,000 crores which is central government targets out of which NHEI supported to 15,000 crores. They have not been able to do anywhere close to that but they have still manage to do a number which is still slightly higher than last year and we expect that till now and we expect this will continue. The number of HAM projects awarded has

gone up and we have seen a total of 39 projects worth 34,800 crores that are being bid out till January 12<sup>th</sup>. Before this in second quarter I think when we have come down we saw there was a very long monsoon season started early ended late in fact it extended itself to quarter 3. So, we had a big headwind in this for this sector this year. Even though all these challenges where there we still manage to grow our topline with 42% this year. At the same time our EBITDA grew to 47% from the same quarter, compared to the same quarter last year and our PAT grew 148% for the same quarter as of last year,. So, we have posted some good numbers even though we had monsoons that extended even in the month of October and then post that we had demonetization which again impacted lot of companies.

Now coming to the order book, our order book as of 31<sup>st</sup> December stands at 13,124 crores. This is the net order book, 89% of our order book constituted by roads, highways and bridges. Irrigation and urban development projects contribute 2% each and mining projects contribute the rest it will about 8%. Now out of this total order book that we have 88% of our order book and our projects are awarded by the central government, 88%. 8% by state government and 4% private sector projects.

Post December we have one projects worth 2584 crores out of which 1673 crores belongs to mining and 911 crores belongs to the road sector. Another good positive besides the results in the sector was the fact that India Ratings & Research has upgraded our long term issuer rating and long term rating of our banking facility from IND A from IND A-. The outlook has been stable, the agencies also upgraded the short term rating on DBL bank facilities to IND A1 from IND A2+. So, these are some of the brief numbers and figures. Now would like to hand over to Mr. Vaibhav Rawat our CFO to present results. Thank you.

**Vaibhav Rawat:**

God evening everybody. This is Vaibhav Rawat – CFO of the Group. I believe you must have got in a opportunity to see our results which has been just uploaded in the exchange. I would now present the results for quarter ended 31<sup>st</sup> December 2016.

As Rohan has told, the total revenue on the standalone basis is stands at 1389 crores for Q3 FY17 as against 979 crores during the same period in the last financial year. It shows a growth of 41.9%. Our standalone EBITDA for Q3 FY17 has been at 280.2 crores with a margin of 19.3% and the standalone profit before tax is stood at 114.7 crores in Q3 FY17 as compared to 45 crores in Q3 FY16, a growth of 154.9%. The standalone profit after tax for Q3 FY17 is at 108.5 crores which show a rise of 148% in net profit on year-to-year basis.

Moving to the result for 9 months ended 31<sup>st</sup> December 2016, the total revenue on standalone basis is 3347 crores in 9 month FY17 as against 2731.5 crores during the same period in the last financial year, a growth of more than 22%. Our standalone for EBITDA for 9 months has been at 581.9 crores with a margin of 19.3%. Standalone profit before tax is stood at 169.7 crores as compared to 172.6 crores in 9 months FY16. To remind all of you guys we have charged 26 crores towards IPO expenditure in the current 9 months. The standalone profit after tax for 9 months is 165 cores as against 134.6 crores in last year for the same period it shows your growth of 22%. As on December 31<sup>st</sup> the gross debt number on standalone basis stands at 2540 crores

and net debt of 2408 crores and networking capital days come around from 161 to 156 as against 30<sup>th</sup> September 2016. During third quarter we have made addition of 242 crores in fixed assets. Out of that around 120 crores belong to mining division and balance is towards road and cable stay bridge project in Goa.

With this we now open the floor for question and answer.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Piyush Chadha from Oceandial. Please go ahead.

**Piyush Chadha:** Basically had 2 questions one, we were looking at doing round about 3000 crores of revenue in Q3 and Q4 combined. Would we still believe that there is something we can achieve? And the second one is can you just give us a little bit of color on the mining opportunity how large it is, what is your focus on it and how big an opportunity this could be for the company?

**Devendra Jain:** This regarding this revenue, right now our third quarter revenue was 1350 crores and last quarter we are expecting around 1600 plus. So, net-net whatever our expected revenue around 4800 crores to 5000 crores all together for year was there we standby that, we are going to achieve that. And regarding the mining opportunity right it is net-net (+3000) crores is our order book in this financial it will be around Rs. 120-130 crores will come from mining and next year whatever mining revenue we will get that is around 750 to 800 crores in next FY18.

**Piyush Chadha:** And by and large mining has similar profitability as compared to roads, there should not be too much difference.

**Devendra Jain:** Yes, definitely, exactly similar or the better profitability in the mining for all projects.

**Moderator:** Thank you. The next question is from the line of Nirav Shah from Geecee Investments. Please go ahead.

**Nirav Shah:** Sir few questions, firstly sir can you just quantify the quantity of bonus booked in this as well as Q3 FY16?

**Rohan Suryavansh:** In Q3 FY16 we have booked a bonus for 9 months 91 crores. For Q3 FY16, yes 51 crore was the bonus we see a low bonus has been booked in current quarter. Overall bonus we shall be booked in the Q1 is still prevails.

**Nirav Shah:** So, the bonus that we have booked in first 9 months of this year is total is 23 crores.

**Rohan Suryavansh:** Yes. And in 4<sup>th</sup> quarter we are expecting the bonus of around 70 crores, new projects.

**Nirav Shah:** So, despite no bonus we still attained margin of 27% which is very commendable, so congratulations on that sir. Sir, second question is on the mining order book, I mean the press release shows that our order book in mining is somewhere close to around 1050 crores and on the last call which was in somewhere in November we had mentioned that the mining order book

was 3500 crores. Execution in Q3 itself was 47 crores. So any order that we have not yet accounted in the order book which might be standing as L1 or something for mining?

**Devendra Jain:** We have two orders of WCL one is 540 crores and 150 crores LoI has not come as yet, we are L1 status in that.

**Nirav Shah:** Sir, still our order book that is very low it should be at least 2500 crores.

**Rohan Suryavanshi:** We have order of 1600 crores for which LoI has been received in the month of January. So, in that 13124 crores order book is stand for 31<sup>st</sup> of December. Yes the LoIs of 1500 crores which you have received post 31<sup>st</sup> December.

**Nirav Shah:** As on date our order book will be approximately 3000 crores?

**Rohan Suryavanshi:** In mining.

**Devendra Jain:** It more than 3000 crores.

**Nirav Shah:** And sir, the next question is on our investments in our SPVs, how much did we invest in this Q3 for 9 months and what is the target for 2017 and 2018 total investments in our SPVs and BOT combine.

**Rohan Suryavanshi:** Till date we have invested somewhere around 250 crores in our BOT project and another 20 crores is going to be invested in this current financial year.

**Nirav Shah:** So, this year total will be 270 crores?

**Rohan Suryavanshi:** Yes, 270 crores will be our investment going to be made in current financial year.

**Nirav Shah:** And sir next year target would be?

**Rohan Suryavanshi:** Somewhere around 250 crores additional we have to require to invest in the SPVs.

**Nirav Shah:** And sir just a last question, I mean in the opening remarks it was mentioned that our CAPEX in FY17, 9 months is around 242 crores of which 120 crores is in mining.

**Rohan Suryavanshi:** Not in the 9 month, it is 242 crores of the CAPEX has been done in the third quarter. If we end up 118 crores invested in the first half it stands for 360 crores in 9 months.

**Moderator:** Thank you. The next question is from the line of Parikshit Kantawala from HDFC Securities. Please go ahead.

**Parikshit Kantawala:** What is the total order inflow for this 9 months?

**Devendra Jain:** Till year already we won the order of around 9000 crores in 9 months.

- Parikshit Kantawala:** Including the January orders of like 11673 in mining and ...
- Rohan Suryavanshi:** Yes, everything a little shy of 9000 crores.
- Parikshit Kantawala:** So next thing I wanted to know, you said we will limit the CAPEX, but I think we have already overshoot that for this year and road ...
- Devendra Jain:** No, definitely we did not overshoot. The CAPEX we have talked about that 100-150 CAPEX we will do alone for road that is our in line and a new setup in which we have a 13500 crores order books that is mining the business we have started one year back of which 120-130 crores will come in this financial year and next year our 800 crores of top line will come from that for that (+200) crores equipment we have bought. This is the separate line opened in the company.
- Parikshit Kantawala:** So fourth quarter we will not be incurring any CAPEX no?
- Devendra Jain:** No.
- Parikshit Kantawala:** So, just one more thing on this recovery of private sector's receivables we have said that second half we recovering another 150 crores. Now, what is the status on that? Is there any recovery have done?
- Rohan Suryavanshi:** In the 9 months' we have recovered almost 115 crores from our private debtors in the first 9 months.
- Parikshit Kantawala:** 115.
- Rohan Suryavanshi:** Yes 115 cores. So it has come down the amount which has stands at 557 crores from private debtors have come down to 442 crores.
- Parikshit Kantawala:** Now what is the status on this? I mean in second half guidance which you have give that balance will be around 150 crores so what is the update on that?
- Devendra Jain:** Yes, we will reach to that by the last quarter the figure which we have give. We will be able to recover that.
- Parikshit Kantawala:** 150 expecting to recover in 4<sup>th</sup> quarter?
- Devendra Jain:** Yes. Total of 150 crores said.
- Parikshit Kantawala:** So you are saying around 40 crores.
- Devendra Jain:** More than that.
- Parikshit Kantawala:** How much time it will take to recover full? Do we have any timeline or is it related to any project? Work has been done on this side no?

- Devendra Jain:** Some work has been done and some work is still going on so it is stuck money so the timeline we think it gets over shoot than that but this year also if you see we have told 150-175 crore we will recover then almost we are going to recover 150 crore and next year hopefully 80%-90% will be over by the next financial yar.
- Parikshit Kantawala:** And both that major clients like both of them are paying and sir why is the tax rate so slow can you just explain on that?
- Rohan Suryavanshi:** See the tax rate is not low, is basically the reason of MAT credit and the deferred tax. We are on the cash flow side we are paying the tax at the rate of quality one percent but because of the MAT credit and deferred tax the net impact comes out to be a very little.
- Parikshit Kantawala:** Earlier mostly we used to do third party contracts we used to do basically but now MAT will be applicable if we are doing the direct contracts, right?
- Rohan Suryavanshi:** Yes, so we are doing, right now we are doing most of our work is from direct contracts only no.
- Parikshit Kantawala:** So, what is the total MAT credit in entailment left now as of now with us?
- Rohan Suryavanshi:** Net credit as of?
- Parikshit Kantawala:** As of now like MAT credit how much credit is left?
- Rohan Suryavanshi:** Net credit we are generating net credit not we are paying it. We are generating fresh MAT credit.
- Parikshit Kantawala:** So what will be our tax rate sir overall? for the next year?
- Rohan Suryavanshi:** Next year also it will be 21% only.
- Parikshit Kantawala:** But now our P&L it will not reflect that much only 4%-5% it will reflect?
- Rohan Suryavanshi:** In P&L it will reflect only 4%-5%.
- Parikshit Kantawala:** And for new projects any way from 1<sup>st</sup> April it will not be there this benefit for any new projects will be discontinued, right?
- Devendra Jain:** Post 1<sup>st</sup> of April.
- Parikshit Kantawala:** So, we have won lot of orders in mining, so largely state of Madhya Pradesh new one.
- Devendra Jain:** In this two projects Madhya Pradesh NCL, Singrauli or two projects are in our Maharashtra WCL and SSCL for Singareni Collieries
- Parikshit Kantawala:** In this 3,000 crores which you are saying is our direct share?

- Devendra Jain:** Yes.
- Parikshit Kantawala:** And who was the main competitors here
- Devendra Jain:** Competitors here in mining BGR, Sainik Mining, Mahalaxmi we are the competitors.
- Parikshit Kantawala:** Though in all these there will around 4-5 competitors basically competing?
- Devendra Jain:** Yes, around in mining.
- Parikshit Kantawala:** And debtors have increase a little, any specific reason?
- Rohan Suryavanshi:** Out of the debtor around 600 crores of billing has been done in the month of December. So, those debtors are more. If I see in total debtors out of that 442 crores which has come down from 567 belongs to private. 145 crores of debtors is from my own SPV and 475 crores worth of debtors is from government which accounts for almost 62% of my total debtors.
- Parikshit Kantawala:** On inventory is reduced this time because we have won lot of orders despite that our inventory days have come down?
- Rohan Suryavanshi:** Inventory days have come down because of the scale on which we are working right now. Last quarter when we have achieved the topline of 900 crores this quarter we have achieve a topline of more than 1380 crores, considering that ...
- Parikshit Kantawala:** Absolute inventory will be at the same level?
- Rohan Suryavanshi:** Yes, it maintains the same level, almost at the same level.
- Parikshit Kantawala:** And lastly sir, just what is the standalone debt as of now and if you can just give the ....?
- Rohan Suryavanshi:** Standalone debt as of now is 2540 crores on the gross level and 2480 crores on the net level?
- Parikshit Kantawala:** Has it increased?
- Rohan Suryavanshi:** It has increased from last quarter. If it compares it from the March 2016 there is an increase of 30 odd crores at that time 2510 was the gross level of debt, right now it has increased because in the last quarter we have invested quite a lot in the machine range.
- Parikshit Kantawala:** End of 2Q how much it will be?
- Rohan Suryavanshi:** Q2 number was on the 2380 because we have invested almost to 240 crores in the machinery last quarter.
- Parikshit Kantawala:** It will peak out now or again it can go up because you are talking about that 2500-2600 it will peak out?

- Rohan Suryavanshi:** Right now, we do not have any further plan to make investment in the machinery as Devendra Sir has told. So, now this should come down.
- Parikshit Kantawala:** And all your equity requirement will be can be met internally through the internal accruals.
- Rohan Suryavanshi:** Yes.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Just on the first part where Rohan Ji has told both the affordable housing where the company plans to venture into, if you can explain a little bit on that?
- Management:** Sir, all at very initial; stage but is all EPC that the company is targeting and affordable housing. So, it is at initial stage once we have firmed more plans on that we will talk about it. Now we have still beginning out our strategy and the market strategy we want to focus on.
- Shravan Shah:** So, will be doing JV or standalone?
- Rohan Suryavanshi:** That is all still being worked out in different markets we might adopt different strategy. There is all one-side approach right now. So, give us some time we will give you some good news once ...
- Devendra Jain:** But the type of working it positively EPC.
- Shravan Shah:** Sir on the CAPEX front just to reconfirm the numbers you said in third quarter we did a CAPEX of 242 crores and for 9 months it is 360 crores?
- Devendra Jain:** Yes.
- Shravan Shah:** And on fourth quarter the CAPEX will be almost nil and sir, in FY18 the CAPEX will be 100 crores?
- Devendra Jain:** Approximately 100 crores we have kept the provision.
- Shravan Shah:** And sir on the debt front how do you see 200 crores kind of reduction by FY18?
- Devendra Jain:** Considering the new model and format is basically coming from the HAM model. So, it is got through some new projects it will depend on that also. So, how much we have to really require to invest in HAM project. Considering the projects whatever present order book we have there should be a considerable reduction in that in FY18.
- Shravan Shah:** And sir in terms of the order inflow we have already achieved what we were talking about 9000 crores, so ....?

- Devendra Jain:** We are almost on that.
- Shravan Shah:** So, any further you wanted to share in terms of the how much are we targeting in next this 2 months and may be in FY18?
- Devendra Jain:** 1600 crores worth of project of hybrid is in the pipeline and 5000 crores worth of project of EPS is in pipeline which we are bidding in Maharashtra, AP and Goa and almost our target is in this financial year has been completed but we are bidding if we get any good project we get then around 2000-2500 crores project we expect that we can win in coming three months.
- Shravan Shah:** And sir in 9 months in terms of the EBITDA margin we did a 19%, so and that too without a bonus, so can we expect the same run rate or may be a 1% kind of lower margin can we expect in FY18?
- Devendra Jain:** Sir, FY18 also we were expecting similar whatever we have told you earlier 18% to 20% will be our target so, we are still looking at somewhere those number only, that is no as such deviation from that.
- Shravan Shah:** And total till date in terms of the SPV equity investment including what you said 250 crore nine months and fourth quarter 225 crores so how much total equity investments we have done in SPVs?
- Rohan Suryavanshi:** Total investments in the new project required is 900 crore this will be done over a phase of three to four years.
- Shravan Shah:** What I am saying how much have we invested till now in total BOT?
- Rohan Suryavanshi:** Around 600 crores we have already invested which includes investment completed project and investment in the form of unsecured loan also.
- Shravan Shah:** Devendra Ji if you can throw in terms of whatever projects are we getting particularly on road front and mining? Do we see any kind of delay in terms of getting appointed date or starting the execution or out of this 13000 crores order book how much still have we not started execution and how much are we planning to start in this quarter or the next quarter?
- Devendra Jain:** In 13,000 crore order book there is no issues from the department about the appointment date whatever certain time period is fix that there is still 2 months left for FC they wait for that. Once the FC will be done and their due date will come then appointed date will come and then the work will start. Land acquisition or for any permission order book is not stopped and around Lucknow, Sultanpur is there in this financial year our big HAM project will start in this financial year and apart from that the two new HAM projects which we have won that will start in the next financial around November-December will start.
- Moderator:** Thank you, we will take the next question from the line of Rajendra Mishra from IDFC Mutual Funds. Please go ahead.

- Rajendra Mishra:** Recently we have heard the news on some tie up with IBM?
- Devendra Jain:** Yes.
- Rajendra Mishra:** So can you just throw some light on that.
- Devendra Jain:** We have tied up with IBM for fresh implementation and improvement of our process. And we have already given them mandate, and their team of 20 peoples will come to Bhopal we have a mandate with them for another nine months in which they are transferring our systems to SAP. All operational and financial everything.
- Rajendra Mishra:** And what is the cost involved?
- Devendra Jain:** Around the SAP implementation safe license and I cloud all together around 12 crores.
- Rajendra Mishra:** Okay. And the other question previous question that we are talking about affordable housing, when can we expect the news around that?
- Devendra Jain:** Rajendra it is around very initial level it will be difficult for me to give you exact timeline, we are on with the talks, I think till the end of this financial year if something happens then in next call we can clearly tell you what we have done in affordable housing.
- Rajendra Mishra:** Okay. So it is still at a very conceptual level?
- Devendra Jain:** Yes it is still at a very, very conceptual level.
- Rajendra Mishra:** Okay. And the third thing I just want to check on this executing this Q3, so the very good exhibition of Q3, so which projects you have done well? And what executions will be done in the Q4?
- Devendra Jain:** Almost if you see our order book implementation, the way we do it is not because of one or two projects, we are working around 35 projects in Q3. And the whole revenues are all from that kind of different projects same thing we will do in Q4, some projects which are in big in nature in that proportion we get more revenues. So it will be difficult for me to tell you from which particular project has the revenue come up. This is our work strategy that we diversify our risks we do 35-40 projects at the same time in different states. So this is all together revenue if there will be a necessity then we will share with you that how much revenue was there in Q4.
- Rajendra Mishra:** So these are all proportionate, means there is no contribution from a particular project?
- Devendra Jain:** No it is not from a particular project, see if some project is at the peak then from that we get a billing of 20-25 cr per month. And if the project is in the initial stage we get the billing around 10 cr, and if the project is at a very good top level then from that we get the billing of about 35

plus crores revenue. So this revenue is all together in total all the projects from Punjab, Jharkhand, Madhya Pradesh, Andra Pradesh from all over India.

**Rajendra Mishra:** Sir in this budget for the road sector and transport sector they have increase the outlay rates has been increased compared to the last two years, so the trickledown effect on the company level is it possible to calculate? Or it will be like a normal business for all of us?

**Devendra Jain:** See if you look at the effect on company it will not be direct, because already our order book is very robust, we maintain robust order book revenue of 2-2.5% of next year revenue target, which already will reach about two times. So we are in very good situation to take the projects of 2-3 thousand crore projects on our number in next two three months means if the projects will be good in the market then the competitive scene will be down, so our opportunities will increase to do good projects on company level.

**Management:** Sir the number of projects of the central government, we can execute almost 10% of them, so if look at the budget of Central government about 57000 crores and we were doing almost 5000 crores, so we do an significant work from whatever government is allocating.

**Rajendra Mishra:** So what you are saying is that if the Central government execution level will pick up then your bidding execution level will also pick up.

**Devendra Jain:** Yes of course.

**Rajendra Mishra:** And last question is on mining if take mining in consideration their order book you expect that it will significantly pick up, so mining related what will be the increase in the gross block, what will be the cost of equipments in the CAPEX?

**Devendra Jain:** Now Rajendra for mining our target was 3000 to 3500 crores for FY 17 and FY 18 that we have already achieved and we have already done the gross block of it. So particularly in this sector we are not doing overbidding, the one thing that mining over burden removal. Now in mining we are bidding MBO in which there is no immediate need for gross block, in that there is about 3 to 4 years mine development period and then there is gross block in it. So right now what our target was in mining of overburden removal that has been fulfilled. So next year like I have said there will be 750 to 800 crores business will do solely from mining with the same gross block that we have already invested.

**Rajendra Mishra:** Okay. And this MBO bidding process is still going on?

**Devendra Jain:** We do selective bidding in the MBO, we do that often.

**Rajendra Mishra:** So this is where you are competing with BGR or Adani or ...

**Devendra Jain:** Yes sir. Now there an MBO for SAIL Raoghat for iron ore that we have bided lastly. That we didn't get it is taken by Sainik Mining, for that we also bid that one.

- Moderator:** Thank you. The next question is from the line of Manish Goel from Enam Holdings. Please go ahead.
- Manish Goel:** Sir you have told in the current year these are the revenues of 4800 to 5000 crores, okay and for FY 18 what do you expect sir?
- Devendra Jain:** Sir our expectations for FY 18, we expect that our rolled revenues that will increase from 5 to 10% and in addition to the mining revenue that I have told you that will be about 700 to 800 crores, that will be different.
- Manish Goel:** So ideally you should be doing 6000 crores of revenue?
- Devendra Jain:** Yes.
- Manish Goel:** Ideally 6000 sir? So on road when you are saying that 5 to 10% growth, this is based on the current order book and if you get more orders then you can have a further upside.
- Devendra Jain:** Sir in this our plan is this irrespective of our order book our planning is that rest of the members, that the gross block we have we will be planning to better utilize it, so the size of project is now bigger, like if you see in the last 2-3 years the average size is about 200-250 crores and now in this financial year whatever is our average size it is about 500 crore around, it will reach there. So the better part is that we are utilizing the better part we have to increase the gross block. So we want to increase our revenues, likewise the future plan for industry growth in the next financial year we will be planning.
- Manish Goel:** Okay sir. And like BOT like we have an investment of nearly 900 crores over next, just one thing that we were thinking to probably monetize our old 11 to 12 BOT assets, so is there any progress on that sir?
- Devendra Jain:** Sir we are in continuous talk with that and many a times we have reached the advanced stages but there are some parameters set for us below that number we cannot monetize them but hopefully that deal will take place soon and we will seriously and aggressively take part in that deal. And in the last call we also mentioned that we were still in the talking most likely in the next 2 or 3 months that deal will get closed.
- Manish Goel:** So best case can we expect by June we should be able to monetize the, are we looking to monetize the entire old root portfolio which is operational now?
- Devendra Jain:** Yes, yes we are planning to monetize all 12 portfolio bunches.
- Manish Goel:** Sir, can we expect by June it should happen now?
- Devendra Jain:** Fairly yes it should happen till this June timeline.

- Manish Goel:** Okay, in that case we now don't have any significant CAPEX plant, going forwards next year? And assuming that if you are able to monetize this BOT road asset, then our incremental equity requirement for next year which Vaibhav Ji mentioned of 250 crores should ideally be met with the divestment, then in that case, you should have a decent free cash flow considering your CAPEX for next year is only 100 crores, then ideally we should expect some debt reduction next year?
- Devendra Jain:** You are very right sir.
- Manish Goel:** So sir I will request you to give me a sense as to FY 17 and what will be our debt number and what we can expect over one year?
- Rohan Suryavanshi:** On FY17, at the end of FY 17 there should be a reduction of 100 crores off in the net debt number.
- Manish Goel:** So Vaibhav could you please repeat that net debt number, my line was disconnected that time? Right now what is the debt?
- Rohan Suryavanshi:** Net debt number was 2408 and gross debt was 2540.
- Manish Goel:** Okay. What was the net debt in Q2 number sir?
- Rohan Suryavanshi:** Q2 the net debt number was 2380 Q1, Q2 it was 2364. It was come down because of the received of IPO money and we have repaid the ...
- Manish Goel:** Okay sir. So we are saying that we will expect 100 crores debt reduction in Q4?
- Rohan Suryavanshi:** Q4 Yes.
- Manish Goel:** And Vaibhav Ji what can we expect for the next year?
- Rohan Suryavanshi:** Next year another 200 crores plus net debt should come down.
- Manish Goel:** That means we are expecting our working capital to go up?
- Rohan Suryavanshi:** Obviously it will come down in the form of working capital now.
- Manish Goel:** Okay, no because where I am coming from is that next year looking at the estimates of 6000 crores and assuming as mentioned that we will maintain our margin, so ideally we should be generating really healthy cash flow? I am factoring that we will be able to monetize BOT assets and which will help to take care of 50 crores of equity investments. So from that perspective 200 crores number looks to be quite conservative?
- Rohan Suryavanshi:** We have to invest also considering the size from 5000 to 6000 we have to invest quite some in working capital, also we kept it on fair level on.

- Manish Goel:** Okay, fine sir. And Vaibhav Ji I wish on the bonus number in Q3 we have not received any bonus as compared to...
- Rohan Suryavanshi:** In Q2 and Q3 we have not received any bonus, we are expecting a bonus of 17 odd crores.
- Manish Goel:** In Q4?
- Rohan Suryavanshi:** In Q1 we have received more off in particular.
- Manish Goel:** So in Q3 last year what was the bonus we received?
- Rohan Suryavanshi:** Last year also there was no bonus in Q3 till nine months it was 51crores last year but specifically in Q3 there was no bonus there.
- Moderator:** Thank you, the next question is from the line of Inderjeet Singh from Macquarie. Please go ahead.
- Inderjeet Singh:** Congratulations everybody on a good set of numbers, most of my questions are already been answered. My first question is on our interest cost and credit rating? So what level of credit rating are we at this point of time? What kind of negotiations we are having with banks in terms of our borrowing cost both for our working capital lines and in our BOT business?
- Rohan Suryavanshi:** Borrowing cost on our working capital lines in the project loans which is commend now, but as a concept of NCR we must have known that once the cost has been decided on the date off sanction or on the date of disbursement, it applies for the whole year. So whatever the sanction we have received prior to the decrease which occurs in the month of November and December, the rates are higher and we have approached to the bank to bring down the rates, and pass on the benefits towards post that whatever the sanction we have received the rates have almost come down by 100 to 250 basis points.
- Inderjeet Singh:** Okay can you give an absolute number? As to what is the interest cost for overall debt lines in standalone business?
- Devendra Jain:** In standalone business the interest cost for the, you are asking for the nine months number or the cost number?
- Inderjeet Singh:** No I am asking about the rate.
- Devendra Jain:** Rates we have the working capital consolidation of 18 bankers so it won't be possible for me to give the weight because it varies from bank to bank.
- Inderjeet Singh:** Okay.
- Devendra Jain:** But if you ask me for the range, we have range of 9.5 to 11.25 range.

- Moderator:** Thank you. The next question is from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.
- Subramaniam Yadav:** Sir I wanted to understand that these margins of 20% in this quarter, can we maintain this margin for next year also?
- Devendra Jain:** Yes and Rohan has told us that we are align to target the margin of 18 to 20%.
- Subramaniam Yadav:** But in the next quarter when you are saying that there will be 70 crores bonus...
- Devendra Jain:** Debt will be a part of it, debt will also shoot up more...
- Subramaniam Yadav:** That is one-off kind of a thing right?
- Devendra Jain:** Yes.
- Subramaniam Yadav:** And sir just interest cost is around like 420 crores somewhat in this year?
- Devendra Jain:** It would be around 400 crores.
- Subramaniam Yadav:** Okay. So any rate reduction likely in your total booklet of...
- Devendra Jain:** The rate reduction already has started but true aspect of that will come in next year only.
- Subramaniam Yadav:** So what is your internal target, mean how much should we expect for next year?
- Devendra Jain:** Next year considering the rate we should get a benefit of 100 and 250 basis points.
- Subramaniam Yadav:** Okay. So it will be around 73-80 crores interest cost?
- Devendra Jain:** Yes, yes.
- Moderator:** Thank you. The next question is from the line of Nirav Shah from Geecee Investments. Please go ahead.
- Nirav Shah:** Sorry to again repeat on margin front, I mean we have done 20% in Q3 and our execution rate for Q4 will be far higher plus the 70 crores bonus which is almost 100% margin. So that quarter Q4 can itself be somewhere around 21.5-22% margin for just one quarter. So is there any particular reason why this core margins were around 20 % in Q3? Any specific project any specific reasons or anything you can attribute to?
- Devendra Jain:** Sir in this when you work on EPC model, then in EPC model we receive our payments according to the milestones. So these is not the BOT project, so in any particular quarter on what level is our EPC project, that depends like in some projects on the initial level we receive less payment and then in between we receive high payment, so in particular quarter which type

of projects have more call, from which type of projects you get revenue. So from that we get a little bit margin impact. Ultimately the margin of the project that company bids that particular margin we the payment is done according to that.

**Moderator:** The next question is from the line of Jiten Doshi from IDFC Securities. Please go ahead.

**Jiten Doshi:** Yes Sir I will like to know about the margin front again. So what kind of margin do we get from the mining business sir?

**Devendra Jain:** Like we said earlier the same margin that we are getting from the road of Delhi we get the same margin or a little bit better margins we can expect from mining business.

**Jiten Doshi:** Right 20%?

**Devendra Jain:** Around.

**Jiten Doshi:** And road as you said we get around 18%, right?

**Devendra Jain:** 18 to 19 is our range, altogether we get bonus in some quarter or we don't get in some. Altogether we are always saying that our road business is 18 to 20% margin business.

**Jiten Doshi:** So then what is the bonus component is left to get? How much bonus is yet to come?

**Devendra Jain:** In Q4 we are expecting around 70 crores bonus.

**Jiten Doshi:** And for next year?

**Devendra Jain:** Next year, it will be too soon for predictions of the next year bonuses as the data because how are we going to finish our projects, we will look into the timeline I think the next call I will be able to answer that.

**Moderator:** Thank you. The next question is from the line of Ankush Mahajan from Edelweiss. Please go ahead.

**Ankush Mahajan:** Sir my question was that we are targeting this order backlog, it would be in the range of 2 time or 2.5 times of next year revenue?

**Devendra Jain:** Yes.

**Ankush Mahajan:** So sir in FY 18 what kind of the order inflow that we are looking?

**Devendra Jain:** In FY 18 you have seen that the budget will be around 60000 crore plus budget is there and already in pipeline that we are bidding is 16000 crores in the highway \_\_ EPC, and 5000 crores in Andra, UP and Maharashtra we are bidding. So whatever is our target around 2000 to 3000 crores we have to win that much bid for the whole FY 18 in the road sector only.

- Ankush Mahajan:** 2000 to 2500?
- Devendra Jain:** 2000-3000 crores.
- Ankush Mahajan:** And that is for FY 17 or FY 18?
- Devendra Jain:** FY 17 sir.
- Ankush Mahajan:** So that only I am saying so if we already have 13000 crore order backlog, so in FY 18 order inflow, how do you think so sir in this particular case?
- Devendra Jain:** See the order inflow is about 13000 crores and the net orderbook which was on December 31<sup>st</sup> after that we have won around 2277 crores orders that altogether makes our net order book 16400 crores. In this in 3 months decrease about 1600 crores so for 15000 crores our order book including mining will be there on 1<sup>st</sup> April 2018 without any new order inflow, we believe that. Next year the target that I have said 5 to 10% increase in our road revenue and around 800 crores comes from the mining revenue. So from the next year 8 to 9 thousand crores order inflow we are expecting to maintain revenue of FY 19 that is our target.
- Ankush Mahajan:** Sir Can you give me the breakup of this 1700 crores inventory? What are the different parts in this inventory?
- Vaibhav Rawat:** We are going to send the detail inventory part to you.
- Ankush Mahajan:** Okay sir. Sir one last question to Vaibhav Sir, what would be our working capital in FY 17, incremental working capital in FY 17-18?
- Vaibhav Rawat:** The actual working capital 150 crores additional.
- Ankush Mahajan:** FD shares?
- Vaibhav Rawat:** Yes considering the, from few of the private players we have a target of 150 crores which we have discussed also.
- Ankush Mahajan:** Sir what we are targeting from the private players?
- Vaibhav Rawat:** On the lower side we are targeting the traditional 150 crores and we realized from them the next year.
- Ankush Mahajan:** And would then working capital we are looking incremental in FY 18?
- Vaibhav Rawat:** Considering that additional 150-160 crores of additional working capital we really required.
- Moderator:** Thank you. The next question from the line of Shravan Shah from the Dolat Capital. Please go ahead.

- Shravan Shah:** Sir for 70 crore bonus for Q4, Sir it would be from 3-4 projects, if you can say the number of the projects?
- Vaibhav Rawat:** It will be coming around 6 projects; all are the EPC and two from our internal EPC from our annuity projects.
- Moderator:** Thank you. We will take the next question from the line of Parikshit Kandpal from HDFC securities. Please go ahead.
- Parikshit Kandpal:** Sir just on the HAM projects when will be the appointed date will come?
- Devendra Jain:** In the HAM project the Lucknow-Sultanpur that appoint date will be on 12<sup>th</sup> to 15<sup>th</sup> March and rest of the two which are there, one project that is in Maharashtra that agreement has just been signed so that you add 150 days for appoint date. And the third one that AUSA to Tuljapur that we got one week ago the agreement will be signed and then you can add 7 months for the appoint date.
- Parikshit Kandpal:** And this Lucknow one the financial enclosure status?
- Devendra Jain:** Yes, we have done that financial enclosure for this project.
- Parikshit Kandpal:** So sir what is the rate there sir? For financial enclosure?
- Devendra Jain:** Sir less than 10, 9.6.
- Parikshit Kandpal:** And sir on these working capital that you have mentioned 150 crores that you are expecting recovery from private and 150 increment on these? So net 300 crores of working capital basically...increases if there is no recovery from the private?
- Devendra Jain:** The recovery will happen, surely.
- Moderator:** Thank you. We will take the next question from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir my question was with respect to our gross block so I mean would it possible to break it down into how much of this is because of roach and how much is attributable to mining? 1600 crores of gross block, net block sorry?
- Devendra Jain:** If you are going to look into net block as I have said recently 200 crore of mining balance is for road. So first time we have invested in the mining equipments.
- Prem Khurana:** Sure. Basically I wanted some clarification over there now as saying that incrementally you don't want more CAPEX for mining, so this is the number that I have, there you invested INR 3000 odd crore in the orders of mining? Right?

**Devendra Jain:** Yes.

**Prem Khurana:** But then if we talk to your competitors if we talk to the peers, I mean that people say a bigger number because they have to do CAPEX for mining projects, because essentially you are saying that for 3000 crores 200 crores is the investment then it is three times the multiple for sales to gross block. Generally, all others quote a very less number. Essentially what we have made to understand that in mining your payment cycle is also better, then your roads, I mean we are talking about similar kind of margins, your Capital Employed is lower, your margins are similar so basically the ROC and ROE for this kind of business would be higher. But despite you are saying we don't intent to increase beyond 3000 crores for the time so why would that be the case?

**Devendra Jain:** First I will give you the answer on mining, the people who are saying that equipments are costly and why we would we will be less costly, in mining the equipments depends on how many the project would last, so our order book of 3500 crores it is spread from 3 year to 5 year. So our planning is as such that our 3 year project when we will finish two years of it, then we will ship some equipments for 5 years project. So accordingly we have planned that the equipments will be transferred from one project to another. So every time in mining the working capital depends on 1400 crores work you are going to do it in 3 years or 5 years or 6 years, according to that you have to put the equipment block. I have already told about the margins in this cash flow is better in every 15 days there should be payment disbursement. In this we are expecting that our margin will be better than off road. Conservatively but we are saying that it would be equivalent to road.

**Prem Khurana:** But is it safe to assume that going forward mining will increase because essentially if you are saying that your capital commitment is low, because in this year what you have told that 150-200 crores of mining revenue out of Rs. 4800 odd crores which in effect means 4600 crores the target is given with the gross block of Rs. 1400, sorry net block not gross. Next year you are saying 700 crores in mining on a net block of 200 crores somewhere around there. So essentially since it is taking less time and payment is also there is it safe to assume that going forward you would increase your exposure to mining or this is the mix that you would want to have going forward? Basically, I want to understand, how will be your going forward mix between roads and mining?

**Vaibhav Rawat:** The type of mix projects we have got those starting date and some projects end date which was synchronized because of which some less equipments were needed that. Otherwise, every time you cannot plan according to your when machine will be free and when machine will be required. So, that is why we have said very conservatively that with the same gross block in another three years we will make same revenue in mining around because of which our order book will be full. And now by doing some diversification in mining we are doing some MDO bidding, mind development organization where at initial level we do not require gross block after two, three years gross block will be required in this at that time we are planning that our existing mining's gross block will be free and will be plugged in this.

- Participant:** Sure. And sir, will we be required to do tie-up with anyone for technical qualification? We will be required to do tie-up or we will be able to....
- Vaibhav Rawat:** Initially when we go in a new field so, we have to do tie-up with some for technical qualification and we have done tie-up when we bid for Raoghat MDO bid. Triveni is a mining company we had tie-up with that company and bided.
- Moderator:** Thank you. We will take the next question from the line of Manish Goel from Enam Holdings. Please go ahead.
- Manish Goel:** Just a couple of more questions on the mining side how was the working capital sir?
- Devendra Jain:** Pardon, Manish Ji.
- Manish Goel:** How many working capital days are there in mining, will it be equal to roads or it will be much lower?
- Devendra Jain:** In mining 15 days billing happens. Churning also happens that also happens very fast that is why working capital cycle will be very less.
- Manish Goel:** Okay, fine. And sir, you mentioned that interest rate will decline for you by 100 bps to 150 bps in FY 2018, is not it right sir?
- Devendra Jain:** Yes, sir.
- Manish Goel:** So, assuming that your debt level decline say by Rs. 200 crores next year then your absolute interest cost can fall by how much sir next year?
- Devendra Jain:** We are expecting a fall of around Rs. 30 crores to Rs. 40 crores.
- Manish Goel:** Rs. 30 crores to Rs. 40 crores decline, okay. And Vaibhav Ji, I just missed on the CAPEX number, if you can please repeat again. In Q3 you did a CAPEX of Rs. 242 crores, right and our of which mining was how much?
- Vaibhav Rawat:** Out of which mining was Rs. 110 crores, Rs. 120 crores.
- Manish Goel:** Okay. And for nine months how much CAPEX we have done?
- Vaibhav Rawat:** Rs. 360 crores.
- Manish Goel:** Out of which mining is Rs. 200 crores.
- Vaibhav Rawat:** A little more than Rs. 200 crores, sir.
- Manish Goel:** Okay. And Q4 any more CAPEX sir

- Vaibhav Rawat:** Not a substantial one sir.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Bhavin Vithlani for his closing comments.
- Bhavin Vithlani:** Thank you, Lizann. I have a couple of questions for the management which I got from the investors, if time permits.
- Management:** Yes.
- Bhavin Vithlani:** Devendra Ji, if you could highlight I mean this is follow-up to the earlier question, working capital in mining is, if you can dwell a bit deeper because theoretically what I understand there will be zero inventory and if you are talking about 15 days of payment cycle and in then you highlighted that next year growth in the road will be 10% to 15% and large part of the incremental growth will be in mining. Then we fail to understand how will your absolute level working capital will increase by Rs. 150 crores. So, if delve bit more on this?
- Vaibhav Rawat:** The gross number if we see our working capital almost 35% to 40% of our top-line in the road sector. Our working capital is almost 35% to 40% of our top-line, increase our revenue by 5%, 10% and as of Rs. 150 crores, to Rs. 160 crores, Rs. 200 crores, of working capital will be required.
- Bhavin Vithlani:** Okay. Maybe I am not able to reconcile, I will take it offline. The second question that we have got from the investor is, so you have different level of HAM projects. We have new HAM projects, so what is the strategy of the management because the number of Rs. 900 crores to be invested in the new HAM or BOT project...
- Vaibhav Rawat:** Out of that Rs. 250 crores has been already invested.
- Bhavin Vithlani:** Right. No, yes question is what it the top level strategy of, are we going to now take a pause of new HAM projects, are we going to still take new HAM projects because our balance sheet leverage will increase significantly with the new HAM projects. So, what is our top level strategy on the BOT and the HAM projects?
- Devendra Jain:** Bhavin Ji, strategically as you are already aware that we are focused EPC company, we think that we are EPC company but if you will see market scenario, so constantly HAM projects bidding has been increased in the country. Our strategy from always was of EPC but if we want to sustain our EPC business we have to go through HAM then our best strategy that we churn our existing portfolio, we bring back our equity and we invest that equity in our new HAM project and take some new good HAM projects. If you look at our three HAM projects in the country, those are one the best projects which we have won. So, in future the plan we have is according to our existing equity we are planning more two three HAM projects which we will win and in them there is scheme for timeline, the new projects are in next year's second quarter or third quarter are almost there, their equity participation will come.

- Management:** One more thing, in this the old debt-equity because the old projects in them the ones those are already operational in them Rs. 50 crores debt is there and in that our revenue is coming around Rs. 235 crores, Rs. 240 crores per years, so according to service everything happens so these you are talking about our equity our EPC margins, our bonus including everything they also give us a big chunk of the equity that we in our projects. So, we also have that good, so all in all, there would not be a situation where you feel company's finance...
- Vaibhav Rawat:** In that is, Bhavin Ji the thing I understand is, if you look at now our hybrid annuity project are there they all are concrete payments. And whenever if you go into any BOT project, you see a challenge that is challenge of traffic revenue, one challenge is of operation and maintenance that in future how will maintenance be there? So, traffic challenge is zero in these projects and if you are making concrete road then in future all of sudden O&M expenditure will not come to you. Already we are doing approximately of 50 projects operations and maintenance, in-house our EPC and our BOT we are doing so we have very good expertise in that operations and maintenance. So, in futuristic way there is no risk in any HAM projects and if that is concrete project then it is all risk will be zero from O&M prospects.
- Bhavin Vitlani:** Understand, okay. So, that answers my question. Now on behalf of Axis Capital, I would like to thank the management and all the participants for taking time out and attending the conference call. So, before we end, Rohan Suryavanshi if you would like to have some closing comments?
- Rohan Suryavanshi:** Thank you, Bhavin Ji. I would like to thank all the participants on behalf of the whole Dilip Buildcon team, the time that you guys gave us today and for all your excellent questions. We always prefer that there are more questions so that, any kind of clarification that any of our investors may need comes out of right now. So, thank you for asking all the questions and we hope to keep you delighted with more good results in the next quarter and subsequent quarters after that as well. Happy New Year to all of you again and we look forward to a bumper financial year end as well.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Axis Capital, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.