



**Dhruv Consultancy
Services Ltd.**

**“Dhruv Consultancy Services Limited
Q3 FY '24 Earnings Conference Call”**

February 16, 2024



**Dhruv Consultancy
Services Ltd.**



**MANAGEMENT: MR. PANDURANG DANDAWATE – DIRECTOR - DHRUV
CONSULTANCY SERVICES LIMITED
MS. TANVI AUTI - MANAGING DIRECTOR - DHRUV
CONSULTANCY SERVICES LIMITED
MR. SNEHAL PATIL - CHIEF FINANCIAL OFFICER -
DHRUV CONSULTANCY SERVICES LIMITED**

**MODERATOR: MS. VAISHNAVI AMBOKAR – KIRIN ADVISORS
PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY24 Earnings Conference Call of Dhruv Consultancy Services Limited hosted by Kirin Advisors. As a reminder, all participant lines will be in a 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 a touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Vaishnavi Ambokar from Kirin Advisors Private Limited. Thank you and over to you Ms. Vaishnavi.

Vaishnavi Ambokar: Thank you. Good afternoon everyone and on behalf of Kirin Advisors, I welcome you all to the conference call of Dhruv Consultancy Services Limited. From management side, we have Mr. Pandurang Dandawate, Director, Ms. Tanvi Auti, Managing Director and Mr. Snehal Patil, Chief Financial Officer. Now I hand over the call to Ms. Tanvi Auti, Managing Director. Over to you ma'am.

Tanvi Auti: Thank you Vaishnavi. Good afternoon ladies and gentlemen. I extend a hearty welcome to each one of you who has joined us today for the Dhruv Consultancy's Q3 Investors Call, where we will delve into the financial results of the third quarter of financial year 2024. Your participation and interest in our company's performance are highly valued.

During this session, we will offer a concise overview of our Q3 FY24 financials, providing insights into our achievements, the challenges we have faced and outlining our future strategies. So let us take a moment to reflect in our journey so far. The company was founded in 2003 by Mr. Pandurang Dandawate, headquartered in Navi, Mumbai. Dhruv Consultancy stands as a beacon of excellence in the infrastructure consultancy sector.

Our commitment to delivering comprehensive services spanning design, engineering, procurement, construction and project management has positioned us as a trusted partner in the realm of infrastructure development. Our diverse service portfolio includes separation of detailed project reports, conducting feasibility studies, project management consultancy which includes supervision work as authorities, engineer, independent engineer, as well as operation maintenance work.

From project planning and designing to technical and structural audits, we emerge as a strategically positioned for investors navigating the intricacies of infrastructure projects. As an infrastructure consultancy company, Dhruv is positioned well to capitalize the substantial growth potential in the infra sector that has been happening over the past few years, especially with the significant allocations done in the union budget 2024 and the interim budget 2024 for infrastructure projects, particularly in the highways and roads segment. The consultancy services account for 10% to 15% of the project cost, that means consultancy business has enormous growth opportunity in the coming future.

Dhruv Consultancy is one of the oldest companies and a pioneer in this segment and currently in our bids we are scoring about 95 out of 100 marks, which helps us to strongly qualify in

most of the bids for new projects. Let us now delve into the prominent achievements and milestones attained during Q3 FY24. In our recently quartered milestone, the company has achieved significant success by securing multiple projects across various states, solidifying our continuous growth and influence in the infrastructure sector.

For FY24, we have bagged projects of INR126 crores till date. Notably, highlights encompass securing contracts for projects in Jharkhand, Telangana, Andhra Pradesh, along with authority engineer projects in Uttar Pradesh, Gujarat. These strategic victories highlight our versatile capabilities and reaffirm our standing as a pivotal player in the industry.

Additionally, we had also been shortlisted for the Western Urban Corridor Development projects in Nepal. This is a testament to our expanding global presence. Also, in addition to that, we are in the process of forming a subsidiary in UK by the name of Dhruv International Private Limited and are expected to receive orders soon, strengthening its presence in the international market.

We look at FY25 as a full opportunity for growth. These achievements signify that the company's sustained growth trajectory and our unwavering dedication to delivering value to our investors and stakeholders. We eagerly anticipate sharing more details about this accomplishment in the near future and keep our investors updated on a timely basis.

Now, let's take a closer look at the company's financial performance. With a 2.1% uptick in the total income, a substantial 94.33% surge in EBITDA, and an enhanced EBITDA margin of 21.73%, our commitment to operational excellence was unmistakable. Notably, our net profit skyrocketed by 48.46%, achieving a commendable net profit margin of 11.86%, while the basic EPS witnessed a significant growth of 47.93%.

Turning to the cumulative nine-month FY24, despite a marginal dip of 5.18% in the total income, our EBITDA has a remarkable growth by 42.09%, accompanied by an improved EBITDA margin of 20.84%. Net profit for nine-month FY24 reached INR5.48 crores, boasting a 15.93% year-on-year growth and a net profit margin of 9.55%. The basic EPS for nine-month FY24 at INR3.61 reflects an impressive growth of 15.34%. These figures underscore our steadfast dedication to sustain financial excellence. In both Q3 and the nine-month FY24, the company has achieved remarkable financial milestones, attesting to our unwavering commitment to excellence.

The current order book stands at INR350 crores, giving future earning visibility for the next two to three years. As we are growing in revenues, our focus is on expanding our bottom line, which has strengthened our focus to high-value-added projects.

The same is visible in our financial performance. Before we proceed to the Q&A, I would like to extend my heartfelt appreciation to our esteemed stakeholders for being indispensable contributors to our journey of growth. Your unwavering support has been cornerstone of our success and we sincerely value the significant role in our achievement. Thank you.

Moderator:

Thank you very much. The first question is from the line of Rajneesh Behl, an individual investor. Please go ahead.

- Rajneesh Behl:** Good morning and congratulations for having good set of results as well as on the order book. I have a few questions. In the previous con call, you said that your orders are usually for two or three years. But when we see your announcements on the exchanges, some of the orders are for spanning on the five years. So what will be the maximum turnover you might have done in the coming three years? What can be the maximum turnover based on the current order book?
- Tanvi Auti:** Thank you, sir. Yes, you are absolutely right that the orders that are coming are coming for five years average. But if we average out the entire order book, it comes up to three years. So that is why when we say about the un-executed order book, on an average it is three years.
- Rajneesh Behl:** Okay. And how much time it takes you for the initial mobilization for any project once it is awarded?
- Tanvi Auti:** Three months, sir. Three months.
- Rajneesh Behl:** And the billing will start after three months?
- Tanvi Auti:** No, no, no. Billing doesn't start after three months. Billing starts from day one itself. But our revenues start from, it is like we can raise our revenues after three months. From the first day. From the first day itself. Yes.
- Rajneesh Behl:** And you also mentioned that you got shortlisted for the Nepal project as well as we have set up a company in UK. So what are the plans at international level?
- Tanvi Auti:** So this subsidiary has been formed in UK and London. Okay. So whatever, in this year we are expecting significant orders from the international sector. And looking at that, the company has taken a strategic decision that all the international projects that are going to be executed will be executed from the London office. As there is too much work in India itself, as we can see the union budget provision, the interim budget provision being done in India. So the Indian office will be fully occupied in the domestic project and the international office will be functional for international projects.
- Rajneesh Behl:** Okay. So for the international projects, from where you will be providing the manpower? Locally or you are allowed to supply the manpower from India?
- Tanvi Auti:** We are allowed to supply from India. However, there is a combination required of international as well as national. So say suppose we are working in Africa. So we have to hire local, that's a condition when we have to work. So we have to hire around 50% of manpower locally and 50% we can take from international market.
- Rajneesh Behl:** And what are the margins level expected in the international projects?
- Tanvi Auti:** EBITDA margin around 30% sir.
- Rajneesh Behl:** Okay. And in last con-call, you told that there was one traffic survey project which was undertaken in the last quarter. And that revenue will flow into this quarter. But I don't think that revenue has flown into this quarter also.

Tanvi Auti: Revenue has not flown in quarter three because there were some officer changes. So now in quarter four, those revenues are realized.

Rajneesh Behl: So how much is that revenue?

Tanvi Auti: Snehal, can you tell about the revenue from traffic survey project?

Snehal Patil: It will be approximately near INR4 crores.

Tanvi Auti: Balance revenue.

Snehal Patil: Yes. Balance revenue.

Rajneesh Behl: INR4 crores and this is like 30% EBITDA margin project, no? You were saying last time.

Tanvi Auti: Yes. Yes. Right.

Rajneesh Behl: So your revenue in Q4 will be going to much higher than the Q3?

Tanvi Auti: Definitely. It will be in line with whatever has been over the years. But there is a significant improvement in the bottom line as the main reason being that NHI project that was started two to three years back, which we had backed two to three years earlier are coming to an end. So the profits are getting released.

Rajneesh Behl: Okay. And one more question regarding your, who are your competitors in this market?

Tanvi Auti: Our competitors in listed, there are no competitors, but private limited companies, there is the S I Infra, there is LN Malviya, there is K&J projects. And I think, Yes, Lion Engineering, MSV International, these are our competitors, direct competitors.

Rajneesh Behl: Okay. But I can see in the listed market, there is one more competitor called Artefact Projects, which also have got substantial order book?

Tanvi Auti: Yes, Artefact is, but they don't work directly in, they don't, they are not coming in our direct competition right now. Like the bids that we are submitting, we are not seeing Artefact name there. So , we cannot consider them as direct competitors.

Rajneesh Behl: Okay. And we have seen in the recent past, like two, three days ago, there was like a huge selling by promoters. So what is the reason behind that for that selling?

Tanvi Auti: Dandawate, sir, are you there? Hello. Can the investor call check whether Dandawate sir is there?

Moderator: Okay, ma'am.

Rajneesh Behl: And in the meanwhile can I ask one more question that like we send an email to your investor center, and we don't get back any response on that email.

Tanvi Auti: Can you tell us the ID that you are sending?

Rajneesh Behl: Rajneeshbehl73@gmail.com. And it was, I mentioned your name on that email so that it reaches to you. I sent it like after the last con-call, but no response was received on that.

Tanvi Auti: Was it sent on cs@groupconsultancy? Yes. Okay. If the company secretary is there on this call, please ensure that it is replied by today itself. We will make sure, sir, and take care in the future that all your mails are being replied.

Rajneesh Behl: Okay, ma'am. Okay. So Mr. Dandawate, is online or not yet?

Moderator: Yes, yes. Tanvi ma'am, can you just provide me any alternate number for him?

Tanvi Auti: Yes, I am just sending it to you.

Rajneesh Behl: And for Nepal project, what is your arraignment with your JV partner?

Tanvi Auti: So JV partner is local. So whatever local support we will require that he will be providing. But all the execution will be taken care by us. All the final decision making will be with us.

Rajneesh Behl: Like it is a 50-50 JV or like what kind of percentage JV partner holds in that?

Tanvi Auti: It is usually a 60-40 JV.

Rajneesh Behl: 60 by you, 40 by local?

Tanvi Auti: Yes. If we are the lead partner, then we, if we are not the lead partner, then we come into 40%. But for the Nepal, we are the lead partner.

Rajneesh Behl: Okay. And what is the bidding pipeline over there?

Tanvi Auti: So it's a two-stage bidding process. First, we get short listed. So something called as an expression of interest, we have to submit. And based on our technical proposal that we are sending, so they shortlist us. After that, they give us the RFP, the Request For Proposal. And then we submit our financials. So we have already been shortlisted in Nepal. And say the RFP process and the financial opening takes about four months.

Rajneesh Behl: Okay. And how big is this RFP?

Tanvi Auti: Sorry?

Rajneesh Behl: How big is this RFP?

Tanvi Auti: So this is around INR20 crores in revenue, sir.

Rajneesh Behl: INR20 crores in revenue.

Tanvi Auti: Yes.

- Rajneesh Behl:** Okay. And then like in previous call, you said you will be getting like reaching an order book of like something like INR500 crores in coming years. So what is the, like your strategy for reaching to that level?
- Tanvi Auti:** So the bidding that we are doing currently in international market are to the tune of INR100 crores single project. This Nepal one is INR20 crores. But recently that we have bidded in Africa, they are to the tune of INR80 crores to INR100 crores single order. So that's how, and we are bidding quite actively there. And so even if we get one project, we are definitely crossing revenues of more than INR200 crores. And order book will also be there.
- Rajneesh Behl:** Which part of Africa?
- Tanvi Auti:** Eastern Africa, in Mozambique, in Tanzania, Zambia, Uganda, Kenya.
- Rajneesh Behl:** Okay.
- Tanvi Auti:** Yes.
- Rajneesh Behl:** Because we were here, you know, because some companies were, got hit due to the currency problem in Africa last time, like some pharmaceutical companies got hit very badly due to the currency problem because they did not have the dollars in central bank. So how will the payment will be guaranteed from there?
- Tanvi Auti:** These projects are funded by World Bank, African Development Bank. So there is a security there itself. We are not depending on the local government for it.
- Rajneesh Behl:** That's good. That's good to know.
- Tanvi Auti:** Yes.
- Rajneesh Behl:** Okay. So maybe you can get Mr. Dandawate online for answering that why promoters selling there? Yes. I, join back in the queue.
- Tanvi Auti:** Yes. Thank you. Yes. Actually investors want to know about the promoter selling. So if, you can answer that.
- Rajneesh Behl:** Hello? Yes, sir. The question was, this is Rajneesh. The question was regarding the recent selling by promoter in open markets. So what is the exact reason behind that? Is it for personal purpose or like?
- Tanvi Auti:** It is for personal purpose. Yes.
- Speaker:** Hello?
- Tanvi Auti:** Yes, you are audible, sir.
- Speaker:** What is question?

- Rajneesh Behl:** Why, why this promoter selling, happening in the open market when the future of the company is so bright? So why promoter is selling in the open market?
- Speaker:** No, no. Try to understand. It is not selling of the promoter shares. Number one, it is a promoter group. Number two, it is for the purpose of unwinding our own warrants. If you go through the history of the company equity side, we have to unwind the warrants of about 10 lakh shares amounting to about INR6.3 crores, because at the rate of INR63, we had issued that warrants to promoter. Now, to bring that money in, we are selling the promoter's shares and unwinding the warrants. The last date of it is 12th of April, 2024.
- Rajneesh Behl:** Okay. So means, is it directly means that promoter is selling the share at higher price and getting the share at lower price?
- Speaker:** Promoter is selling, yes, but it is for the purpose of unwinding the warrants, which are at the rates of INR63 right now and the rate we are trading today at INR85.
- Rajneesh Behl:** Yes, I know that, sir, that you have issued the warrants at INR63. And now, when you issue the warrant to like a person, so person at that point of time, person is required to pay some money upfront and the person should have the money. Now, it is like promoter is selling at high, like the signal goes to the market.
- Speaker:** Try to understand the warrants are issued to the promoters only. So, I am the person.
- Rajneesh Behl:** No, but the warrants were issued to the non-promoter also. I see one more name of lady under the public category.
- Speaker:** No, all are promoters. I will tell you the names. Sandeep Dandawate, Executive Director; Pandurang Dandawate, I myself; Jayashree Dandawate, my wife, promoter. Then Anjali Dandawate, my brother's wife. All are promoters. All are Dandawate.
- Rajneesh Behl:** Who is this Reena Nitin Shinde?
- Tanvi Auti:** That is preferential issue, sir.
- Speaker:** That is not preferential. You are mixing everything. That is a preferential issue that was closed 18 months back.
- Rajneesh Behl:** Okay. Understood. That clears my doubt.
- Speaker:** Okay. Thank you, sir.
- Rajneesh Behl:** Thank you for clarifying. Okay. Thank you. Thank you for the clarification.
- Moderator:** Thank you. The next question is from the line of Yashwanti from Kojin. Please go ahead.
- Yashwanti:** Thank you so much. Congratulations for the good numbers. We have seen a dramatic increase in your EBITDA margin. So just wanted to understand what are the reasons for it and what

outlook, future outlook you would like to give about the profitability margin, whether they are sustainable at this level, there is a headroom for improvement or what it is? Thank you.

Tanvi Auti:

Yes. Okay. Thank you for your question. So the main reason for the increase in profitability has been that the NHAI project, which we had started two to three years back, as well as the traffic survey projects, which we started at the beginning of the year, have come to an end and all the revenues and profits are getting realized now. That is why there is an increase in the bottom line.

Going ahead, for FY'24-'25, the company is targeting larger ticket size project. As you can see in our disclosure, the company is bagging orders to the tune of INR3 crores to INR5 crores to INR10 crores, even INR20 crores being the highest. This year onwards, we have made a strategic decision to take orders INR50 crores and above, which will help in increasing our bottom line as well as our top line by a significant margin.

And the main contributors to this being iconic projects in the country itself, like coastal road projects, expressways, cable stayed bridge projects. In Maharashtra itself, in Mumbai, if you see there are so many coastal road projects coming up, sea-link projects coming up. So the company is actively targeting these projects under central as well as state government all across the country.

Secondly, as we have already formed a subsidiary in UK, through that we are going to execute a larger ticket size to the tune of INR80 crores to INR100 crores assignments outside the country. These projects are being funded by World Bank, Asian Development Bank, African Development Bank, and we are actively targeting projects in the Gulf, in Eastern Africa, and in South Asian countries like Cambodia, Vietnam, Bangladesh, and Nepal.

Yashwanti:

Okay. So ma'am, out of the total order size of INR350 crores, how much is the international order book?

Tanvi Auti:

From the INR350 crores unexecuted, as on date, it is zero, but we are expecting in a month or so, the order. And we haven't got any orders. We haven't got any orders, but we have been shortlisted in 17 projects right now. And out of 17, even if we get one project, our revenues will increase significantly, revenues and profit.

Yashwanti:

Okay. But I think ma'am, we are talking about it for last two to three conferences. We have been shortlisted in the international market. So what is the exact timeline when you expect this project to be coming in company's pool?

Tanvi Auti:

Yes, when we started bagging international assignments. So at that time, people were recovering out of COVID, because we had just started in 2021. We were exploring international markets. But recently, in the past six months, there have been significant visits by our team to these countries, as well as a lot of meetings have been done with these international clients.

Secondly, we have hired a vice president, business development in house who has worked in the international market in our competitor firm. And he is actively seeking these international

projects. And with the help of him, we are confident that now, this will bring into results as well.

Yashwanti: Okay, so FY'25 may see some international contribution?

Tanvi Auti: Yes, we are definitely confident. In fact, before this financial year ends, we are hoping at least one assignment.

Yashwanti: Okay, that is includes Nepal or that is exclude Nepal?

Tanvi Auti: Sorry?

Yashwanti: That is excluding Nepal?

Tanvi Auti: Excluding Nepal, yes.

Yashwanti: Okay. And you expect that minimum size should be around 50 crores to 80 crores.

Tanvi Auti: 30% EBITDA.

Yashwanti: 30% EBITDA. So there is a very good headroom to move even from the 21% which was reported in the latest concluded quarter....

Tanvi Auti: When we bag international projects, there might be a possibility that the initial mobilization expenditures are higher side. But going ahead, say once we are settled there in a period of three to four months, as I said, initial mobilization takes three to four months. So after that, our revenues and our profits will be stable. So that happens with any project, whether international or domestic.

Yashwanti: Okay. Just wanted to understand, you said that you start billing from day one, but you present your bill after three months. So is this anything like an advance you receive and then the payment happens on a milestone basis? Or how does this happen?

Tanvi Auti: It's not an advance. So it's a monthly based payment. It's your reimbursement of our salaries of key professionals and the reimbursable that we are doing. We can raise our bills on a monthly basis. However, for the first three months, once the complete setup is there, then we can raise the bill. Sometimes it is done in one or two months also. Not always it is three months. But Yes, in large -- in most cases it is three months.

Yashwanti: Okay. And then if you can just throw some light on what is your sole capacity to take the project right now? And what is the biggest project you had handed over in terms of the size till date?

Tanvi Auti: Yes. So the largest project that we are handling right now is the Ganga Expressway project, which is a total revenue of INR22 crores. And as far as our sole bidding capacity is concerned, we definitely have a full bidding -- significant bidding capacity open in the domestic market. And for supervision, four lane, six lane assignments, we do qualify solely. For operation maintenance, DPR projects, also the company qualifies solely. That's not a problem.

The company secures 95 to 96 marks on its sole credentials. However, for the international market, we will have to start with a local consultant there and in a JV or in an association format. So once we are established in that country, we can go sole there as well.

Yashwanti: Okay. And ma'am, what you will classify as your strength as we work with your competitors?

Tanvi Auti: So our strength would be our manpower. If you see the company's attrition rate also, it is to the tune of 4% to 5% only, which is very low as compared to the industry standard. So our employee is our USP. We have a combination of retired government professionals as well as professionals from the private sector.

Our entire second line of leaders; CEO, CTO, COO have worked in multinational companies or have been chief engineers in government of Maharashtra. Then, in addition to that, we have a combination of youth as well as experienced people. So a large amount of youth recruitment is being done from Tier 2, Tier 3 cities and that's our strength.

Yashwanti: Okay. Thank you so much, ma'am. I wish you all the best for the future.

Moderator: Thank you. The next question is from the line of Neha Ahuja from Suraj Enterprises. Please go ahead.

Neha Ahuja: Good afternoon, everyone. Thank you for the opportunity. My question is, please explain your order book time completion for the current order book.

Tanvi Auti: Okay. So our unexecuted order book stands at INR350 crores and we are expecting it to go around 3 years for total 2.5 to 3 years. So these are the projects which we have bagged last one, one and a half year as well as in the current financial year. So what happens is that most of them are supervision assignments. And the contract period, however, is five years. But why we consider it as 3 years, the reason being the 5 years is divided into two phases.

First phase being the construction phase, which goes up to a period of 2 to 2.5 years and the balance being the defect liability period. But maximum revenues to the tune of 80% of the project of our fee is we receive it in the construction period itself that is in the first 2 to 2.5 years and balance 20% we receive it in phases in the defect liability period. So this is how our revenue -- our order book breakup and the timeline.

Neha Ahuja: Okay. Thank you. And can you please highlight your steps for international presence?

Tanvi Auti: Yes. So presently we are in talks in African countries like Tanzania, there is Zambia, Uganda, Mozambique and Kenya. These are the targets in Africa. In Gulf, we are in talks with Saudi Arabia and in Dubai. In Southeast Asia, in Nepal, Bangladesh, Cambodia, Vietnam, we have been shortlisted everywhere. However, we are expecting an order in next one to two months.

Neha: Okay, ma'am. Yes. Thank you, ma'am. All the best.

Tanvi Auti: Thank you. Thank you so much.

- Moderator:** Thank you. The next question is from the line of Ritika Jain, an Individual Investor. Please go ahead.
- Ritika Jain:** Yes. Hi, ma'am. Thank you for the opportunity. How does the company plan to leverage its recent success in FY24 to sustain and enhance the growth?
- Tanvi Auti:** Can you repeat your question?
- Ritika Jain:** Yes, sure. How does the company plan to leverage its recent successes in FY24 to sustain and enhance the growth?
- Tanvi Auti:** Yes. So the recent -- not even the recent, I would say from a past few years only from FY16, FY17, we have got listed. We were earlier being eligible for only two lane projects. Since we got listed after our IPO, then we got eligible for four lane, six lane, eight lane assignments. And earlier, we used to do it in association or in JV. Today, we qualify on our sole credentials. So this is how we have developed our experience and our expertise over the past.
- That time our employee strength was to the tune of 100, 150. Today, it is almost reaching 500. So we being the top five consultants in India as well, the higher authorities, including the chairman, NHAI has appreciated the company at significant intervals to us. So with this, with this recent successes, we are trying to replicate this into the international market where the revenues are in multi-fold.
- So if here we are getting a project of 5 crores, for the similar kind of work, there the fees is INR15 crores. So that's how, although the expenditures would be also higher, but the profits are also much higher.
- Ritika Jain:** Okay. Can you throw some light on the acquisition of equity shares by the promoter and director aligned with the company's broader objective for FY24?
- Tanvi Auti:** Yes. So for FY24, the company, we had already announced that the company is issuing warrants to the promoter and promoter group in nine lakh shares, thereby increasing the stake of promoters in the company. So this will be closed before the end of FY24.
- Ritika Jain:** Okay. Yes. Understood. Thank you so much, ma'am.
- Tanvi Auti:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Shivam Sharma from PCR Capital. Please go ahead.
- Shivam Sharma:** Yes. So, ma'am, my question was, any big project handled by us till date and what is the size of the same?
- Tanvi Auti:** Yes. So the largest project that we are currently handling is the Ganga Expressway project from Meerut to Prayagraj. It is being executed by Adani and IRB Infra and the client is UPEIDA UP Industrial Expressway Authority. And that's our largest assignment and it is completed 50% as on date.

- Shivam Sharma:** Okay, ma'am. Thank you. And what is our overall outlook and strategic focus for the FY24 considering the recent achievements and acquisition?
- Tanvi Auti:** Yes. So for FY24 as well as for FY25, the company has decided to shift its focus from the domestic market to the international market. Also in domestic market, our focus would be large ticket size projects to the tune of INR50 crores and above, namely coastal roads, more expressway projects, iconic bridge projects, sea-links. So there are much prestigious projects being lined up by the government.
- And now that the company has so much credentials and which it has built over the years, the company is very hopeful of bagging such large prestigious awards in FY24 as well as FY25, mostly in FY25. For international markets, we are just entering there. However, the profitability and the revenues are already INR50 crores, an average INR50 crores. Starting with INR20 crores, it may go up to INR100, INR120 crores also single project.
- Moderator:** Thank you. The next question is from the line of Pradeep Chaudhary from Saamarthya Capital. Please go ahead.
- Pradeep Chaudhary:** You informed that this Ganga Expressway, the scope of the consultancy is supervisory.
- Tanvi Auti:** Yes, correct.
- Pradeep Chaudhary:** I wish to understand what different scopes you have and out of the INR350 crores of order book, you can bifurcate as to what is the value on each scope?
- Tanvi Auti:** Sure. So, at present, we have three services that we are providing. First is the preparation of detailed project report and feasibility study. Right now, it is contributing to 10% of our revenues and the payments here are on a milestone basis. So, as and when we submit the report, our payments are released. Secondly, we have project management consultancy wherein we act as an independent engineer in case of BOT and HAM projects and authorities engineer in case of EPC projects. So, here we do the supervision and right now this contributes to 85% of our revenue.
- These payments are on a monthly basis. So, we claim our bills on a monthly basis and around 45 to 60 days' time we receive our payments. Third type of service is techno advisory services where we carry out structural audits, technical audits, road safety works. So, these are to the tune of 5% and this is a single one-time payment after the completion of the activity. But the revenues are not very large here. It is not more than INR1 crores.
- Pradeep Chaudhary:** And when you are moving to a greater than INR50 crores order, how the pipeline would look like because you must have planned that how will be doing this INR50 crores plus?
- Tanvi Auti:** Yes. So, with respect to the services or the portfolio, these INR50 crores, INR100 crores assignments are project management consultancy only. So, because they are larger size project, larger staff and expert staffs are required like if there is a tunnel or there is a sea-link. So, I will have to hire geologists, tunnel experts, bridge experts in cable stayed bridges, some international expertise, software, equipment's might be required.

Hence, the revenues are larger. But these are mostly project management consultancy, supervision assignment only.

Pradeep Chaudhary: And in this, the selection criteria you already have?

Tanvi Auti: Yes. We are eligible for these projects now. We were not one year back. But after completion of so many expressway projects in India itself, we now qualify for these large assignments as well.

Pradeep Chaudhary: Okay. And how many of these projects you have already placed your bidding or participated?

Tanvi Auti: So, there are greenfield projects under the Bharatmala Pariyojana, eight lane expressway projects there. In addition to that, the bids have not yet come. But the projects that we are targeting are the Alibaug-Virar Corridor, the Jalna-Nanded Expressway project, Nagpur-Goa Expressway. Yes, these are the namely a few. And few in UP also, the extension of the Ganga Expressway. There are few border road assignments also in Northeast.

Pradeep Chaudhary: And for all these four projects you have just mentioned, the tenders are still to be?

Tanvi Auti: Yes, they are still to be floated. Yes. The contractors are there. So, contractor tenders are already there and out. But once the contractor is appointed, after that the consultants are appointed.

Pradeep Chaudhary: And if I wish to understand that whenever the government announces some major project, then how does it flow in terms of timelines that you have the construction companies being awarded, then comes companies like you? How do I understand this whole timeline?

Tanvi Auti: It depends on how the project is being executed. If it's a PPP, like a public-private partnership, whether it's an EPC project or a hybrid annuity model, the timeline differs for each one of them because there needs to be a financial closure between the government, the bankers and the contractor who's there, then the land acquisition status that is there.

But once all that is there in a month or two months time, the consultant is appointed. However, from the announcement of the project to the appointment of consultant, it takes six months.

Pradeep Chaudhary: Okay.

Tanvi Auti: Yes.

Pradeep Chaudhary: And you also mentioned that you do DPR also.

Tanvi Auti: Yes. Yes. Right.

Pradeep Chaudhary: So, any of the DPR projects, though currently you have 10%.

Tanvi Auti: 10%. Yes. But they are very small and smaller in revenues. There are 10 to 15 DPR projects going on, but not more than INR2 to INR3 crores in revenue.

Pradeep Chaudhary: But usually, doesn't it help that if you have done the DPR, then getting a project management would be much more easier for you?

Tanvi Auti: No, that's not a criteria as such, that if we have done a DPR, we get the edge there. But it helps to keep our technical capabilities alive because there is a lot of expertise and technicalities involved while we are doing a feasibility study or a DPR project. So, there needs to be a combination of both. But however, right now, the government focuses on completing the project faster.

So, there are less number of DPRs coming as compared to when in FY 2016-2017, 2017-2018, we had 80% DPR projects and 20% supervision projects. So, it depends on what the government wants and how projects are coming.

Pradeep Chaudhary: And if I wish to understand that, what is the philosophy or the strategic direction that going from, say, a INR20 crores to not even attempting for a INR20 crores project, what is the thought process of the management?

Tanvi Auti: So, right now, for this financial year, we are targeting less of INR5 crores or INR8 crores or below INR5 crores project and more on INR10 crores and above project, more focus on international assignment. But while we choose a project that whether we want to go ahead or not, we see the financial. So, once our team of our sales team works out the financials of it, suppose it is doable or not, then we decide whether we are going to do this assignment or not, because there is an estimated budget that is being given along with the tender.

So, if the company is confident enough that in this budget with good profits, we can execute the project, then we go ahead.

Pradeep Chaudhary: Okay. Right. Thank you so much.

Tanvi Auti: You're welcome.

Moderator: Thank you. The next question is from the line of Himani Oban from Suraj Enterprises. Please go ahead.

Himani Oban: Hi, am I audible?

Tanvi Auti: Yes, you are audible.

Himani Oban: Yes. So, my question is, any churning on addition at key management level?

Tanvi Auti: Additional key management level? Yes. So, right now, Yes, we have hired a general manager finance and accounts, Yes, just last week. And this is the only addition in the leadership level. Otherwise, the entire leadership, as mentioned in our annual report remains the same.

Himani Oban: Okay. And what is our working capital?

Tanvi Auti: Working capital, Snehal, can you highlight?

- Snehal Patil:** Yes. The working capital requirement is around INR10 crores to INR12 crores.
- Tanvi Auti:** What is the current working capital they want to know? The fund-based and non-fund-based limits. Yes.
- Snehal Patil:** Okay. The current working capital non-fund-based is INR36 crores, while the fund-based is INR9 crores.
- Himani Oban:** Okay. Thank you, ma'am. That's it from my end.
- Tanvi Auti:** Yes.
- Moderator:** Thank you. The next question is from the line of Ajit Surya from Opal Kalia Company. Please go ahead.
- Ajit Surya:** Hi. So, my question is, what are the main risks for the business, including potential impacts from changes in government regulations? And could you provide any revenue projections for financial year '25 and the restricted to be at '25 for the upcoming year?
- Tanvi Auti:** Sure. So, the risks associated are, yes, there is definitely if any change in government policies happen, there might be a risk associated with that. That is why the company has taken a strategic call not just to depend on one or two particular clients and have a large diversified portfolio as well as geography.
- That is the main reason behind expanding globally. So, in order to mitigate these risks, at present level, yes, if any change in government policies happen, not change in government, if there is a change in government, there would be no impact as we have orders in hand for the next five to six years. So, that won't be impacted.
- But if any policy changes there with respect to the execution, there might be an impact there. As far as revenue projections are concerned, if we bag an international assignment, there will be definitely a very big surge in the revenue. If not, then the year-on-year growth would be to the tune of 10% to 15%.
- Ajit Surya:** And what about the EBITDA margins? Would it clock '25?
- Tanvi Auti:** Yes. So, if there is an international assignment or a larger ticket size assignment in India itself so these revenues, these EBITDA margins would definitely go up around 20%, 15% to 20% year-on-year.
- Ajit Surya:** Okay, thank you.
- Tanvi Auti:** Yes.
- Moderator:** Thank you. The next question is from the line of Pradeep Chaudhary from Saamarthya Capital. Please go ahead.
- Pradeep Chaudhary:** Are there any bank guarantees that you have to give while participating?

- Tanvi Auti:** While participating, we don't need to give but there is a performance bank guarantee we have to give while we are awarded the project. When we are awarded the project, it is to the tune of 3% of our consultancy fee.
- Pradeep Chaudhary:** So, which means if I look at your INR350 crores order book, so 3% of that you would have given as bank guarantee?
- Tanvi Auti:** Yes, right.
- Pradeep Chaudhary:** And what are the expenses of that?
- Tanvi Auti:** It is 1% commission and 15% margin in FDR.
- Pradeep Chaudhary:** Okay. Thank you so much.
- Tanvi Auti:** Yes.
- Moderator:** Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.
- Rahil Shah:** Hi, good afternoon. So, firstly, you mentioned earlier that the NHAI project which started 2 to 3 years back is giving you revenues and profits now which led to better margins. So, is this the normal course of business?
- Was it because of the duration of the project that you are recognizing now or there was a delay? How does it work?
- Tanvi Auti:** So, because the company had bagged too many orders 2 to 3 years back because earlier to 2 to 3 years, we were receiving INR25 or INR30 crores order in a single year. But since last 2 to 3 years, the company INR50 crores, INR80 crores, now today INR125 crores. So, it is increasing year-on-year.
- So, what happens is that although projects are getting completed also but there are new projects also coming in where expenditures are higher. But in quarter 3, more number of projects had ended. Now, election also coming up in the central government.
- So, NHI is also more focused on completing whatever projects are there. Hence, the profitability is being recognized right now.
- Rahil Shah:** So, is it fair to say that because you had more number of projects compared to earlier, the completion, the duration of completion was prolonged or something like that?
- Tanvi Auti:** No. So, 2 to 3 years construction period, of course, they are completed but the defect liability is still going on. For another 3 years, it is going to go on. But 80% of the revenues, we have already recognized.
- Rahil Shah:** Right. Okay. And your projections based on EBITDA margins, you said 15% to 20% year on year, we can consider. Was this including the international projects which are higher margin?

Tanvi Auti: Including. So, an international assignment, yes, it will have an EBITDA of 30%. But if considering the initial mobilization expenses and everything, so any infrastructure project, be it India or abroad, the initial expenditures are higher because there's a lot of setup to be done.

And now when it is overseas, the setup cost would be higher. Then there is bank guarantees also to be given. So, there are financial bank guarantees also being issued sometimes for mobilization advances which carries a 10% interest.

So, the initial expenditures for the first year is on the higher side. But slowly, the profits start recognizing.

Rahul Shah: But given the initial expenses also, 15% is a minimum range we can expect. And from there on, we will see the going upwards.

Tanvi Auti: Yes. Because there will be a, now, right now the case was or till last year, I would say that there was dependability on the central government or the state governments in India. So, with this dependability being removed, the diverse portfolio being there, diversification into different sectors also.

So, with combination of all this, the risks also get mitigated. And then there is a balance of revenues and profits.

Rahul Shah: Okay. And lastly, I believe in the last call, you mentioned about some INR1000 crores order book target in next, I believe, 5 years, was it?

Tanvi Auti: 10 years, Yes. Market cap, Yes, 10. INR1,000 crores in 10 years.

Rahul Shah: Okay. Any near term outlook? Like you have, you said INR350 crores now, expecting a large international order in the coming months.

Tanvi Auti: Yes. So, these international orders that we are bidding are to the tune of INR100 crores single order.

Rahul Shah: Right.

Tanvi Auti: Yes, even if we get one order per year, it is more than enough to reach INR1000 crores.

Rahul Shah: Correct. Okay. Sounds good. Thank you so much. All the best.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Ms. Vaishnavi Ambekar for closing comments.

Vaishnavi Ambekar: Joining the conference call of Dhruv Consultancy Service Limited. If you have any queries, you can write us at research@kirinadvisors.com. Once again, thank you everyone for joining the conference call. Thank you.

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