



Dhruv Consultancy Services Limited

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DHRUV /OUTWARD/2023-24/632

May 19, 2023

Corporate Relationship Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 Fax No. 022-22723121/3027/2039/2061 Security Code: 541302, Security ID : DHRUV	Listing Department National Stock Exchange of India Limited Exchange Plaza, C-1 Block G, Bandra Kurla Complex, Bandra (E), Mumbai -400 051 Fax No. 022-26598120/38 Scrip Symbol: DHRUV
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Dear Sir/Ma'am,

Re: ISIN - INE506Z01015

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 for Transcript of Earnings Call.

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held with the investors/shareholders on May 16, 2023 at 4.00 PM (IST) to discuss the Audited Financial Results of the Company for the 4TH quarter and year ended March 31, 2023.

The above information along with the audio recordings will also be made available on the website of the company www.dhruvconsultancy.in

You are requested to take note of the same.

Thanking you,

Yours faithfully,

for **DHRUV CONSULTANCY SERVICES LIMITED**

TANVI TEJAS
AUTI

Digitally signed by TANVI TEJAS AUTI
Date: 2023.05.19 11:19:39 +05'30'

TANVI T AUTI
Managing Director
DIN 07618878

Encl: As above



“Dhruv Consultancy Services Limited
Q4 FY2023 Results Conference Call”

May 16, 2023



ANALYST: MR. GOPAL CHANDAK - KIRIN ADVISORS

**MANAGEMENT: MR. PANDURANG DANDAWATE - DIRECTOR -
DHRUV CONSULTANCY SERVICES LIMITED
MS. TANVI AUTI – MANAGING DIRECTOR – DHRUV
CONSULTANCY SERVICES LIMITED
MR. RAJESH SINDHAV – GENERAL MANAGER –
FINANCE AND ACCOUNTS - DHRUV CONSULTANCY
SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Dhruv Consultancy Services Limited Q4 FY2023 Results Conference Call hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gopal Chandak from Kirin Advisors. Thank you and over to you, Sir!

Gopal Chandak: Thank you. Good afternoon everyone. Thank you for joining the conference of Dhruv Consultancy Services Limited. I would like to welcome Mr. Pandurang Dandawate - Director, Ms. Tanvi Auti – Managing Director and Mr. Rajesh Sindhav – General Manager – Finance and Accounts of Dhruv Consultancy Services Limited. Tanvi mam over to you!

Tanvi Auti: Thank you Gopal. Good evening everyone. I welcome you all to the Q4 FY2023 conference call of Dhruv Consultancy Services Limited. We are an infrastructure consultancy firm and our growth is directly linked with the infrastructure, mainly the highway segment. We are working in six sectors at present, highways, bridges, tunnels, architecture, metros, and ports, so the focus of the government is on infrastructure and therefore in the budget there has been a heavy allocation of capex. The government has announced a capex spend of Rs.10 lakhs Crores that is 33% year-on-year increase in FY2024 budget estimates. This is allocated to sectors like railways, roads, defense, housing, water and metro projects. The capex to GDP is at an all-time high of 3.3% and the two sectors that stands out in terms of allocation are the railways which is up by 51% and roads which is up by 25%. So given the 50% of the total allocated capex earmarks for roads and railways, it is a clear indication on structurally bringing down overall logistics cost in the economy which are currently at 14% of the GDP. The government allocated around Rs.2.7 lakhs Crores to the Ministry of Road Transport and Highways, this means there is a huge scope for consultancy services. As infrastructure consultants, we provide four kinds of services. First is the feasibility study and preparation of DPR. Second is construction supervision for supervision and maintenance work. Third is advisory services, traffic survey, inspection works and road safety projects and fourth is the design services, design of highway, design of structures that we mainly provide for private contractors. So consultancy services accounts for about 5% to 6% of the total projects cost thus you can estimate the huge potential growth for our business in terms of the budget allocation. Here only the qualified and an established peer has an opportunity to bid for new project, so there is a difficulty for new entity.



Now let me explain you how consultancy bids are evaluated. In the consultancy business it is not the lowest bidder who is awarded the work, but it based on two factors. First is the technical score which has 80% weightage and second financial score which has 20% weightage. These technical scores comprises of the company credential, the equipments that we are using, the CVs of the key professionals that were supporting onsite and 20% weightage is for the lowest bidder. So proportionately how lower or higher is your bid, the marks are considered so 80 plus 20 whoever is the highest is awarded the work. So based on our past experience we have grown from a score of 88 to 95 plus today, we have reached 96, 97 also. Thus we are very optimistic in getting good orders from the estimated order outflow for the next 2 to 3 years. We have not just restricted ourselves to the domestic market, we have also started taking up jobs in the international market and we are expecting to win one or two projects with high profit margins very soon. As far as international projects are concerned, we have submitted a bid in African countries, Southeast Asian Countries, Bangladesh, Nepal, Cambodia, Vietnam, then in African countries, Zambia, Tanzania, Nigeria and we have been shortlisted in about 7 projects where result is awaited and submitted more than 65 expression of interest in these countries.

The order inflow in the past for FY2022-FY2023 especially has been the best this year the company completes 20 years of its existence and FY2022-FY2023 has been the best till date and the company has received orders of 150 Crores plus in one single year which is the highest achievement ever. Our unexecuted order book stands at Rs.230 Crores as against the total order book of 500 plus Crores. Few projects that I would like to mention here is that the company is working in majority of expressways. We have recently completed the Delhi-Vadodara expressway section where COD is being issued. We are working in Raipur, Vishakhapatnam, Delhi-Dehradun expressway, Amristar, Jamnagar expressway, Amristar, Bhatinda, so such prestigious projects are under the belt of Dhruv Consultancy and major is the Ganga expressway project, this is being done by UPEIDA, the UP expressway industrial development authority. The Ganga expressway itself is a 594 km long project and it an important project for Uttar Pradesh State Government. It is from Varanasi to Merut. We are marching with high flow of orders and FY2024 looks to be full of opportunities as this is going to be the year, the year before the central government election, so we are expecting huge number of order inflow year. Now I request Mr. Rajesh Sindhav to take you through the financial performance of the company for the reported quarter and FY2023.

Rajesh Sindhav:

Good afternoon Tanvi and Pandurang sir and other shareholders. I am giving financial highlight for FY 2023. The total revenue of the company has gone up by 8% from 75 Crores to 81 Crores, the net up by Rs.6 Crores. The total expenditure has gone up by 13%

from 67.66 Crores to Rs.76.63 Crores, so net up by Rs. 8.97 Crores. The major contribution for increase in the expenditure side on account of the employee cost has been gone up by 10% from Rs.17 Crores to Rs.19 Crores, so that net increase by Rs.1.74 Crores. The finance cost has gone up by Rs.69 lakhs due to the BG charges from interest on the various loan and processing charges. The depreciation has gone up by Rs.2 Crores due to increase in the fixed asset on account of plant and machinery, motor car and we have bought the IHMCL traffic survey assets. The administration expenses has gone up by Rs.4.52 Crores due to the increase in the professional fee by 5 Crores and the ECL provision by Rs.21 lakhs, however the other expenditure in the cost of the travel expenditure, site expenditure, and the conveyance and printing and stationery has been reduced by Rs.74 lakhs. EBITDA margin has been gone up by Rs.48 lakhs from the Rs.9.81 Crores to Rs.10.29 Crores. The PAT margin has gone down by 93 lakhs from 5.76 Crores to 4.82 Crores and that is in account of the increase in the depreciation professional fees and the employee cost. These are the financial highlights for FY2022 versus FY2023.

Moderator: Yes sir. Should we open the lines for Q&A.

Rajesh Sindhav: Yes.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Tushar Raghatate from KamayaKya Wealth Management Pvt. Ltd. Please go ahead.

Tushar Raghatate: Good afternoon sir and thank you for the opportunity. Sir, just wanted to ask a question on the order book you mentioned in the last Con Call that you have 700 Crores orders and you are optimistic about 30% rate on that. So I just want to understand where it has gone as of now and what are the expectation for FY2024 and FY2025 in terms of order book in percentage from growth I want to understand that and second one is the, in the recent quarter the margins were kind of less, so what was the exact reason for the same sir?

Tanvi Auti: Hello Tushar. So to give an answer to your question of the first part. So we are as on date if I tell you the orders bid are close to 799 Crores and our estimation for the past year has been that we are achieving a success rate of 22% to 25% so for which results are awaited. So accordingly you can see the flow of orders that we could be receiving. In addition to that continuous bidding is going on every month and as I mentioned in my opening remarks also that we would be bidding a lot this year as lot of many projects, this would be the peak year for infrastructure projects as more number of projects are to be awarded. Last year we did around 150 Crores projects, this year we are expecting 200

Crores plus orders we would definitely be able to bag. Coming to the second answer, so as Rajesh sir has also mentioned that the main reason why our margins are slightly low this time is because of the inflow of orders that we have received and the initial mobilization expenditures are very high as these are expressway projects like the Ganga expressway as I told you and realization of margins takes a certain time. In addition to this as mentioned in the last Con Call also that we had been awarded the traffic survey projects in two zones, one in Maharashtra and Punjab, Haryana, Rajasthan. So for these the revenue yet to be realized whereas the expenditures are on a very higher side. For these we have to purchase a lot of asset as well wherein that has had an impact our depreciation. Otherwise if you see the operating margins they are definitely doing good.

Tushar Raghatare: So mam you mean to say that you have calculated the cost and the margins will elevate going forward.

Tanvi Auti: Yes. As and when the margins realization happens when the construction period is likely coming to an end. Initially the expenditures in any infrastructure project is very high and the flow of orders that we have been having in FY2022-FY2023 and even this FY, has been tremendous and has been the highest in the company history. So there will be a slight affect on the margins because of this, but eventually in the long run the pictures will be very good.

Tushar Raghatare: So mam what kind of margin we can expect for FY2024 and FY2025?

Tanvi Auti: See for the next one or two years, this construction is going to go on, so it might have a similar trend because like I said 150 Crores order in last year, this year, if we say that even 200 Crores order we receive, keeping the same trend 150 so again the mobilization expenses will be higher, but projects such as IHMCL traffic survey there the profit margins are higher, so it compensates. Along with that, if an international project is awarded that will also compensate, so at an average we are expecting similar margins for the next year as well and after 2 or 3 years these margins will go on increasing.

Tushar Raghatare: Fair enough mam. Thank you.

Tanvi Auti: Yes.

Moderator: Thank you. The next question is from the line of Mukesh Panjwani from Value Securities. Please go ahead, Sir.

Mukesh Panjwani: The first thing I would like to understand is that if we see the property plant and equipment in our balance sheet, previous year it was 6.7 Crores, this year it is 11.25

Crores and there is one more right of use asset last year it was nil and this year it is 5.39 Crores. Can you throw some light on it like we have increased our property plant and equipment almost by 70% to 80%?

- Tanvi Auti:** Rajesh sir can you answer this.
- Rajesh Sindhav:** For the IHMCL projects, there are combination of lease as well as the loan option, so there is a right of use assets we have enter into the OPC and Orix for the three years lease period, for the finance lease. For this the right of asset has been realized in the books of account, so it is around Rs.6 Crores. Apart from that we have taken some equipment and software which is required for the IHMCL project which is we taken through the loan from the HDFC bank which is around Rs.2.7 Crores, so these are the major equipment we have bought during this financial year.
- Mukesh Panjwani:** Okay. This is for the traffic project we have taken recently.
- Rajesh Sindhav:** Yes. Pertaining to that the expenditure has been arrived in the last quarter. The respective income for the traffic survey, we have to submit the report and get the validation from the authority, so the realization of the revenue will occur in the next quarter.
- Mukesh Panjwani:** Okay and my next question is like, can you please tell me that what is the bid order size for FY2023?
- Rajesh Sindhav:** Unexecuted order size you wanted to?
- Mukesh Panjwani:** No no. The orders we have bid this year?
- Rajesh Sindhav:** Yes. Rs.150 Crores
- Mukesh Panjwani:** Rs.150 Crores okay and what about the unexecuted order book.
- Rajesh Sindhav:** We have Rs.250 Crores of unexecuted order book right now.
- Mukesh Panjwani:** Okay and what about the international orders, have you got any recently?
- Tanvi Auti:** Yes we have been shortlisted in seven projects recently in the last two months wherein majority of the projects are in Tanzania and Nigeria and usually the turnaround time because these are ADB and world bank funded projects so the turnaround time goes up to 9 to 12 months for the award of the work, so we are expecting anytime that an order will be awarded as our success rate has been good in terms of short listing.

- Mukesh Panjwani:** So we can expect in this particular quarter.
- Tanvi Auti:** In this quarter or next quarter definitely.
- Mukesh Panjwani:** What is the total order book as of now and what would be the execution time for the same?
- Tanvi Auti:** Our total unexecuted order book as Rajesh sir said that it is 250 Crores and to be executed in the period of 2.5 to 3 years.
- Mukesh Panjwani:** Okay and mam I want to know one more thing as we know that the market in which we are working is huge and there is very good growth potential but why have not we been able to increase our revenues like Q-on-Q or year-on-year in that manner?
- Tanvi Auti:** As of the revenues if you ask that, I feel they are increasing good because in the past if you see the company performance it is doing double on double every year because till FY2021-FY2022, we had received orders of 50 to 60 Crores, last year we received 150, this year we are expecting 200 plus orders. Because as I mentioned in my opening remarks also that our technical score is increasing day by day. Now earlier when we got listed, we were working on two lane projects, then we started working on four lane, six lane, today we are working on eight lane expressway project, so this eligibility has been built over the past few years that can be seen in revenue growth also.
- Mukesh Panjwani:** But like last year our revenues were 75 Crores, this year it is 81 Crores. So we cannot like in, like in revenues we cannot see such growth, maybe we are getting good number of orders and all, but it is not reflected in our revenues that is my point?
- Tanvi Auti:** I think revenues are also on a better side, but yes I told you that initially because this FY2022-FY2023 has been a year wherein we have received 150, where earlier it was very less. So that initial four to five months the revenue realization takes certain time. Now these revenues are getting realized for the projects which were awarded in Q3 and Q4 of FY2023, so the initial period where the expenditure is also high that has been the trend over the past 20 years if you follow our balance sheet and this year and maybe next year also if we bag more number of projects again that is going to be the scenario because initial four to five months are needed for revenues to start getting realized in the book. So this is the long-term process and year-on-year with so many orders coming up, it is very difficult.
- Mukesh Panjwani:** In this year we can hope like our revenue would shoot up like?

- Tanvi Auti:** For the 150 Crores order book that we received in the FY2023, those revenues will be realized yes in FY2024 to a large extent, but for the projects again which would be awarded in FY2024 they again will take time to get realized, so it is a continuous process and then the ticket size is also started to increase. It has gone up from 2 Crores, 3 Crores, 5 Crores, 7 Crores. Ganga expressway is 21 Crores, so the ticket size is also increasing year-on-year.
- Mukesh Panjwani:** Okay that is all from my side.
- Tanvi Auti:** Okay. Thanks.
- Moderator:** Thank you. The next question is from the line of Yashwanti K from Kojin Finvest. Please go ahead.
- Yashwanti K:** Thank you for the opportunity. Mam I just wanted to understand like we used intra as the budget has been announced, so what is like being count that we can having for FY2024 and FY2025.
- Tanvi Auti:** Can you repeat the last part of your question?
- Rajesh Sindhav:** I am saying there is a renewed infra for the road segment offered by our government so out of that how much we can see that as growth in our order book in FY2024 and FY2025?
- Tanvi Auti:** Yes. Like I mentioned in my last answer also that 2.7 lakhs Crores has been allocated as budget for the Ministry of Road Transport and Highways which includes the NHI, so 5% to 6% usually is the consultancy cost including BPR separation and the construction supervision. Last year like considering a success rate of 22% to 25%, we are expecting 200 Crores plus orders for this FY2023-FY2024.
- Yashwanti K:** So current order of unexecuted order of around 226 Crores plus 200 so 400 will be the approximately size of orders.
- Tanvi Auti:** Yes.
- Yashwanti K:** Is there anything seen as any high margin of others has been added like?
- Tanvi Auti:** Yes so high margin orders. So there are like Rajesh sir also mentioned that the IHMCL traffic survey project is a quite high margin order and though the initial expenditures we had to purchase lot of assets because this is 365/24/7 traffic survey being carried out at

different locations all over the country and we have been awarded with two zones, so that is lot of machinery to be procured for these project, so the initial setup cost is high but these are high return projects as well so we are targeting such projects and second is the Ganga expressway also like I said it is a 21 Crores, 22 Crores single order so that is also high margin order which has just started so as the order value is high, the initial expenditures are high.

Yashwanti K: You expect to complete by this current financial year or it will take FY2025?

Tanvi Auti: It will take 3 years to complete.

Yashwanti K: 3 years?

Tanvi Auti: The construction.

Yashwanti K: FY2026.

Tanvi Auti: Yes. Our project is for a long tenure, because then after construction there is DLP what we call as a defect liability period, so our appointment is for a period of seven years, so revenues will be distributed but during the construction period 70% to 80% revenue is achieved.

Yashwanti K: Okay as our major customer is the government. How is the payment realization happening is it quite delayed.

Tanvi Auti: No it is very good. In the past we have worked with state governments, then as we went on building our eligibility in central government, so in central government it is an online system completely. The NHI uses a data link portal and also uses a SAP so sitting in our office we can identify where our bill is right now and accordingly we have a strong team at every client's office and so that at an average it is 60 to 90 days, depending on what state it is. If it is a nearby state, it usually comes in 45 to 60 days. It goes up to an average of 90 days, but it comes in a timely manner. It is government's money so there has no cases in the past where we have been had to write off such amount so the government and we are binded by that contract. Payments are always safe and secure, so we do receive it in a timely manner.

Yashwanti K: So what would be our working capital cycle?

Tanvi Auti: Working capital cycle, Rajesh sir you can tell her.

- Rajesh Sindhav:** Working capital cycle is almost around 75 days to turnaround the things.
- Yashwanti K:** Of which the receivables would be?
- Rajesh Sindhav:** Receivables it takes around 70 to 75 days.
- Yashwanti K:** Are you planning to have any capex for a current year, like last year you purchased some machinery?
- Rajesh Sindhav:** The major capex has already been done.
- Pandurang Dandawate:** Just I will explain what capex has been done almost 5 or 6 Crores, that capex is needed for part one that is IHMCL project which is awarded. Number two, we have the assignments regular assignments BPR and supervision work wherein also we need this asset, this equipment. Previously we were acquiring or hiring it from market so there were two problems. One cost was going high. Secondly availability sometimes is under question and third is accuracy of the result. So we took a major call this year considering the more profits and we have purchased all these equipments, softwares so that 100% now we are foolproof Indian consultancy market as far as equipments are concerned so it will add to our profit, it will add our accuracy, it will add to our level of service because of our instruments owned by the company.
- Yashwanti K:** Okay. Sir any kind of cost you expect going forward even in the current year?
- Pandurang Dandawate:** Current year no capex is expected.
- Yashwanti K:** Sir I just have one more question have you started working on international order?
- Pandurang Dandawate:** No not yet. We have shortlisted for seven projects and we have submitted the bid but the turnaround time is very slow because of the World Bank nature of the work and we are expecting order at least one or two in current financial year.
- Yashwanti K:** Okay and the quantum it would be the right time to say right. Can you mention the quantum?
- Pandurang Dandawate:** 75 UI we have submitted expression of interest out of which seven results are out and we are shortlisted in all seven, so definitely once the flow starts, we will be flooded with international orders also.
- Yashwanti K:** That is so great. Okay sir. I will come back in the queue again. Thank you sir.

Moderator: Thank you. The next question is from the line of Sriram R, Individual investor. Please go ahead, Sir.

Sriram R: I have few questions, so can you explain what is bid capacity clause and why is it advantages to you?

Pandurang Dandawate: Bid capacity clause is like this for the company having turnover between X and Y, say between 20 to 30 Crores they have maximum 10 numbers, then 30 to 40 Crores they have 20 numbers, that is the bid capacity. If turnover is between 30 to 40 Crores, 30 and if turnover is average annual turnover of last 3 years is more than 40 Crores, I think 50 Crores then there is unlimited so we just entered into an unlimited zone as far as bid capacity is concerned.

Sriram R: Okay and what is unbilled revenue for this year?

Rajesh Sindhav: 38 Crores.

Sriram R: 38 Crores and why is it high. Last year it was 30 right?

Rajesh Sindhav: Yes. Because there are certain projects around 10 to 12 projects which has been started in the fag end of Q3 as well as there are some DPR project also is there where the revenue is likely to be achieved on the milestone basis so there is no unbilled revenue has been recognized. The billing will be done in the next quarter or may be in the next two to three months.

Sriram R: Earlier in the call you mentioned four areas of consultancy, so can you provide the revenue breakup for each of the segment and along with it what will be the approximate margin?

Tanvi Auti: So for DPR our orders are presently 15% of the total revenue, supervision is 70% and for the FY2023 I am talking about and 5% would be for the other work, it is an advisory and private work. So going forward IHMCL revenue that is under the advisory services that will increase for FY2023-FY2024 as the revenues are yet to be realized. This is it and you had another question?

Sriram R: Margins.

Tanvi Auti: Margins yes. So for DPR our EBITDA margins are 25% to 30%, for supervision they are between 10% to 15% and for IHMCL they are again 20% to 25% for traffic survey projects.

- Sriram R:** Okay that is very good. Thank you.
- Moderator:** Thank you. The next question is from the line of Sanjeev Kumar Damani from SKD Consulting. Please go ahead, Sir.
- Sanjeev K Damani:** Good afternoon Tanvi, Pandurang sir and Rajesh sir. I am I audible.
- Pandurang Dandawate:** Yes.
- Sanjeev K Damani:** Very happy and proud to see this kind of company getting listed. I came to know about this company very recently and I have started tracking, so my first clarification I want is from the discussion only Tanvi said that 799 Crores is our pending order and then started talking 250 is our unexecuted order so can kindly explain?
- Pandurang Dandawate:** No no. It is not like that. 800 Crores tenders or bids we have submitted and results are awaited.
- Sanjeev K Damani:** Okay. Got it. Then sir second question is regarding for one question Rajesh sir he was replying to my fellow person, IHM service is it a correct word I have heard. IHM service as he said that for IHM services we have procured certain new apparatus or new equipment, so is it I have heard is IHM or something else Rajesh sir?
- Pandurang Dandawate:** It is IHMCL. It is Indian Highway Management Company Limited. It is a 100% subsidiary of NHAI. It is particularly formulated for IT improvisation in highway sector if you have travelled abroad you might have seen the difference on the highways, the signs, the connectivity, you can say the capturing the images, which is just started on Mumbai Pune expressway you are getting penalized if you are over speeding, so all these things is coming under IT. It also includes traffic surveys and collection of tolls, toll system, software, hardware, all that comes under the IHMCL.
- Sanjeev K Damani:** Okay so sir we are erecting this facility for NHAI?
- Pandurang Dandawate:** No we have been awarded only with a traffic survey.
- Sanjeev K Damani:** Okay so traffic survey
- Pandurang Dandawate:** Because we are in a service sector.
- Sanjeev K Damani:** What the service is can I understand sir. Can you kindly explain?

Pandurang Dandawate: Traffic surveys are needed for two purposes. First is to estimate the toll revenue for the next three, four, five years. They need base number, so based on our traffic survey and our accurate results they put the number in the bid particularly TOT contract.

Sanjeev K Damani: Okay got it sir.

Pandurang Dandawate: For expansion of highways like widening or strengthening or converting the highways into expressways they need certain traffic data so our data is a base for future of the India.

Sanjeev K Damani: Okay. Very nice sir. Thank you much I got the answer. Now I am coming to one point such and before that I would like to say that I am right when I presume that human power or human resource is our biggest raw material when I asses this, I presume this is it correct that raw material for this company are humans only?

Pandurang Dandawate: 100% correct.

Sanjeev K Damani: Because I could understand that your teams has been moved to grounds to make a survey or put technology use there, but human assistance is always needed for carrying out various surveys, I am I right sir?

Pandurang Dandawate: Yes yes. Just to add to it, not only human, it is human brain also, that is intelligent.

Sanjeev K Damani: Okay okay intelligence also is required.

Pandurang Dandawate: No no intelligence is more important out of say 400 employees, 300 plus are engineers they are experienced engineers.

Sanjeev K Damani: Now my question is that we do we ensure retaining them because one thing I could understand that you have reached the highest bid level where you can bid for all kind of projects and my understanding is usually people who get trained at your place they can start their small enterprises?

Pandurang Dandawate: That is not possible here because when we select the personnel for particular project the CV of that person has to be uploaded on the INFRACON website which is a Government of India website and outside INFRACON no person is allowed and once we bid for the project and the project is awarded the person has to give consent before award of projects at the time of bid and once the consent is given and once the project is awarded he cannot move anywhere till completion of the project.

Sanjeev K Damani: Okay that is very nice sir. I was only wondering that we have to manage people, the people can always escape from responsibilities and all that. One more thing sir. I was reading that unbilled amount is 38 Crores so is there no way we can change the method whereby since the bill is made, some amount of moneys are received by us against the work.

Pandurang Dandawate: I want to explain it. The unbilled revenue is mainly for IHMCL project where the payment is on quarterly basis, but expenditure is on daily basis because our teams are moving on the site in volumes along with the equipments and vehicle, so expenditures are largely on that part. Secondly, DPR, detailed project report wherein our bills are based on the milestone basis.

Sanjeev K Damani: Okay.

Pandurang Dandawate: It is typical of RAP typical of agreement.

Sanjeev K Damani: When we render the DPR service we are an external agency which is certifying certain things. Am I right? Now I know that everyday we have to incur expenses for these kind of surveys, right, so are they being put as inventory in our books when we are closing it on either quarter basis or annual basis?

Rajesh Sindhav: Every quarterly basis we are doing that thing because in our supervision service also we are incurring the cost on daily basis or you can say monthly basis, we are incurring cost on account of the rental charges for paying our staff, guest house, offices, then we have procured the rental car, then we have to make the payment to the salary, however, we are raising the bill for everything so it takes 45 days to raise the bill to the authority, so at the same time the expenditure which is already which incurs so that is we are following accounting standard which has been saying that the input cost method, so on the basis of input cost method we have recognized the unbilled revenue.

Sanjeev K Damani: Okay sir in this balance sheet of 31st March I want to ask you otherwise also about other current asset, so in your current asset there is other that is 14 Crores, what is the nature of this item, 14 Crores is shown as others in the current asset in the balance sheet which you have published on BSE?

Rajesh Sindhav: Just a min sir. Other current assets 14 Crores yes.

Sanjeev K Damani: Yes sir.

- Rajesh Sindhav:** So these are the on account of the TDS amount which is lying with the authority, TDS receivable.
- Sanjeev K Damani:** Okay.
- Rajesh Sindhav:** TDS on GST, TDS on income tax and certain amount of on account of retention money which is lying with the authority.
- Sanjeev K Damani:** Okay got it so here it is shown like this and I think trade receivable is okay sir now I am coming to final question. Where you are showing your expenses as capital because if you have not raised the bill for the services for which we have incurred our expenses so are you showing them as some inventory or asset somewhere in the balance sheet or it is fully debited and this 38 Crores revenue when it comes will be entirely our profit?
- Rajesh Sindhav:** No no. How it has been worked. Sir 38 Crores in expenditure which has been incurred already against which the inventory has been recognized the form of unbilled.
- Sanjeev K Damani:** But in the balance sheet where this item is shown sir. Can you kindly?
- Rajesh Sindhav:** Yes. I will show you. This item has been showing under the other current assets.
- Sanjeev K Damani:** Other current asset that is entire 49 Crores with a single sum which is our total spent, got it sir. Now coming to final this thing, can you just explain me Tanvi madam was explaining certain percentage of revenue of various assets so one activity I could understand is defective services?
- Rajesh Sindhav:** Defective liability period.
- Sanjeev K Damani:** DPR they called it, right and again one which you explain this that you do lot of search and research for them and do surveys, right sir so that is the second way of getting revenue from these projects.
- Tanvi Auti:** So I will just detail out in a simple way. So the first is DPR wherein we do the feasibility study so we have to check whether that project is technically and economically feasible.
- Sanjeev K Damani:** Madam can you tell me the full form of DPR?
- Rajesh Sindhav:** Detailed project report.

- Tanvi Auti:** Yes. So we carryout everything from the surveys to designs, land acquisition, forest clearances, preparation of contract documents, everything is done under DPR.
- Sanjeev K Damani:** Okay.
- Tanvi Auti:** Second comes the supervision, when the DPR is prepared, contractor is appointed, so to supervise the contractors work, a consultant is needed on a day to day basis.
- Sanjeev K Damani:** Very nice.
- Tanvi Auti:** So government does not have that many machinery and manpower to supervise these projects hence they appoint the consultant and we are the certification authority in that case.
- Sanjeev K Damani:** Okay very nice. What other activities that we do.
- Tanvi Auti:** These are two and third activity is the advisory services herein basically we carry out the surveys. Also we have lot of equipment, imported equipment like the retroreflectometer, mobile bridge inspection unit, Automatic Traffic Counter cum Classifier so these equipment are needed to scan a particular road to check its qualities, to carry out surveys, to check the reflection on signboard, so these kind of services we also provide to the government as well as in some cases for private contractors and fourth is the design services, so we have an in-house highway and structural design team who carry out the detailed designing of highways and structures coming on the road, this is mainly for private contractor.
- Sanjeev K Damani:** Thank you very much. I understand. I will come back in the queue if required.
- Moderator:** Thank you. The next question is from the line of Himani Uban from Suraj Enterprises. Please go ahead, Sir.
- Himani Uban:** Hello. My question is margin improved drastically in Q4 FY2023, but for full year it has decreased. Can you please explain what is the reason?
- Tanvi Auti:** As I have explained that this is mainly due to the traffic survey projects that started in the quarter 4, so the depreciation cost has gone on a higher side along with that we have received close to 150 Crores plus orders in the FY2023 for which the initial mobilization expenses are high. So the quarter 4 overall it has been good only thing is sales are to be recognized in coming quarter and the expenditures are on a higher side.

- Himani Uban:** Okay what guidance for EBITDA margin you would like to give for future?
- Tanvi Auti:** So it is different for different kinds of services. For DPR it is 25% to 30%, then for PMC it is 15% that is the supervision work, 11% to 15%. For advisory the surveys it is 30% and for design it is 40%.
- Himani Uban:** Okay and what is current unexecuted order book and what is average period to complete it?
- Tanvi Auti:** Yes. 230 Crores is the unexecuted order book as on date and the expected time completion is 2.5 to 3 years.
- Himani Uban:** Any big projects in hand?
- Tanvi Auti:** Yes. Ganga expressway project is the highest one first that is 22 Crores. Second is the IHMCL, the traffic survey projects in two zones that is 10 Crores and then there are other PMC projects in Andhra Pradesh, BPR projects they are also to the tune of 15 to 18 Crores.
- Himani Uban:** Okay. Thank you so much.
- Tanvi Auti:** Thank you.
- Moderator:** Thank you. The next question is from the line of Tushar Raghatate from KamayaKya Wealth Management Pvt. Ltd. Please go ahead.
- Tushar Raghatate:** Thank you for the opportunity mam. Mam out of the total order book so what percentage comprise of DPR, TMC, advisory and this services?
- Rajesh Sindhav:** Hello.
- Tushar Raghatate:** I just want to understand the percentage contribution of all the services you provide?
- Rajesh Sindhav:** If you look at our order book out of which the DPR project worth Rs.15 to 20 Crores and unexecuted, the traffic survey is around Rs.10 Crores, the balance is on the TMC side.
- Tushar Raghatate:** Okay. Fair enough. So out of this bid projects which you expect the orders, so the orders are more inclined towards which services?
- Rajesh Sindhav:** TMC.

Tushar Raghatate: Sir like Dhruv is kind of quarterly net revenue 20 Crores. Can we expect in the next two to three years the company can increase its quarterly run rate to 30 Crores to 35 Crores.

Pandurang Dandawate: Just I would like to explain the future plans. I am I audible.

Tushar Raghatate: Yes sir.

Pandurang Dandawate: So recently one new corporation is formed in Maharashtra, its name is MSIDC, Maharashtra State Infrastructure Development Corporation. This corporation is 100% government of Maharashtra owned company. They have been assigned a task of working outside Maharashtra on infra projects either G2G or on competition basis like USPC, AIRCON or Rail Vikas Nigam Limited wherein we are likely to be consultants for that corporation. That is a big business coming up. Secondly another corporation is there again 100% owned by the Government of Maharashtra. Its name is MahaPreit. It is Mahatma Phule Renewable Energy Department and they have assigned a green hydrogen supply for RCF amounting to Rs.10,000 Crores and now they are in search of investors and developers supplying the green hydrogen or ammonia so Brookfield which is an international agency and in principle they agreed to enter into agreement with MahaPreit where Brookfield will act as a nodal SQC and consultant also so big assignments are expected in this year so these are the two big assignments I am expecting current year and that will also change the core sector or it is diversification or part of diversification and also it will add to the revenue numbers and profit numbers.

Tushar Raghatate: Just one question Sir if you quantify the opportunity which you are seeing so what sort of numbers you would add?

Pandurang Dandawate: It is almost double than what we are getting now in a year in terms of order book and in terms of profits.

Tushar Raghatate: Fair enough Sir. Thank you.

Moderator: Thank you. The next question is from the line of Sriram R an Individual investor. Please go ahead.

Sriram R: I have two questions. In terms of scope of work like how is it different from let us say Rites or VAPCO?

Pandurang Dandawate: I will answer so basically VAPCO is a government owned India consultancy forum. They are working exclusively for Indian Railways and also sometimes for AIRCON internationally and in nationally also so they are Government of India backed consultancy

forum. We cannot have comparison with them because we have to get the work on competitive basis and not on nomination basis that is one. Secondly they are only in the railways and we are in many verticals.

Sriram R: Okay Sir and do you compete with VAPCO them?

Pandurang Dandawate: Pardon.

Sriram R: VAPCO?

Pandurang Dandawate: It is also like rights only. It cannot be compared. They are 100% owned Government of India Company and we are totally private company.

Sriram R: No I understand that but in terms so the NHAI portion do they compete with you?

Pandurang Dandawate: They do compete with us but they do not get qualified either or they do not get numbers what we are getting. Our core sector is highway. Their core sector is totally different so it is not comparable. It is not apple to apple comparison.

Sriram R: Okay and Sir one more question. If I look at your past track record you used to do 20% plus margin and now about 70% of the work you are saying you are getting 10% to 15% but your margins are still on the lower side like it is around 10% to 11% so like I just want to understand what is the margin trajectory for the next couple of years?

Tanvi Auti: Yes so the earlier margins that we made yes margins are there. Now competition has increased a lot in India. You can see the budget provision that is being done in the country and to the road sector. Yes over the past few years the competition has increased which has had an impact on the margins so anticipating that we are targeting new clients like we backed the Ganga Expressway Project which is not a NHAI or a MOT project a different organization altogether. In addition to that like Sir said about MahaPreit and MSIDC so through these organizations we are trying to increase our client base which will in turn have an effect on our margins. In addition to that the World Bank funded projects that we are very positive about bagging they are on super high margins so again we would be able to come on that track. For NHAI the completion has increased, the costs have increased as the number of projects has gone on a higher side and therefore this balance between the clients is required and we are definitely taking positive efforts towards it.

Sriram R: Can you just comment on your margin trajectory? What can we expect in the next couple of years?

Tanvi Auti: So as I told that depends on the type of services that we are providing so if it is a DPR project we are bidding all of them so for DPR project you can expect about 25% to 30% margins. Like we bagged the IHMCL traffic survey projects similar projects are coming up and these traffic survey projects itself are extendable year-on-year so traffic survey requirements are going to be a requirement of the government every year so these are almost 35% to 40% margin projects. CMC is 11% to 15% margins and the design services are again 40% margin.

Sriram Right: Okay that is helpful. Thank you and all the best.

Moderator: Thank you. We have a followup question from the line of Sanjeev Kumar Damani from SKD Consulting. Please go ahead.

Sanjeev K Damani: Actually I was wanting to know who are our nearest competitor who are equally competing and competitive in our work?

Pandurang Dandawate: There were 20 to 25 companies two years back or three years back but this bid capacity clause and the strictness of NHAI interims of services many of companies are debarred from these process or they have lost the bid capacity and now only five to seven companies remained in the market namely SA Infrastructure, RV, NM Malviya, ourself and two to three. There are six or seven companies remaining in market.

Sanjeev K Damani: So Sir actually I was presuming that many of companies might have vanished in the process because it is to give good services which is very important so how we are being rated amongst our customers as preferred because usually it is money terms that decides who will get the contract but when we are bidding in government do we get any aid except this bid one is there but in the same bid section when four or five players are there so are we being preferred or are we being liked or are we getting any bonuses for good work done?

Pandurang Dandawate: No. It is based on the technical marks which we are getting the advantage. Technical marks are based on three parts. One part is your experience wherein all these things count. Second is the CV of the person put on the appointment and third is your equipment and software bank so in all three fronts we are top most in India almost scoring now 95 plus marks out of 100 and others are not scoring more than 92 or 93.

Sanjeev K Damani: So will it be that we will be virtually a monopoly in the days to come?

Pandurang Dandawate: Not monopoly because always six to seven players will be there. Those who are debarred again will come in picture. Those who have lost the bid capacity will again come for the competition. International players are coming up so competition will always be there.

Sanjeev K Damani: Tanvi madam was explaining to some other person that competition has gone up so are we not able to raise the prices because cost of operations have gone up?

Pandurang Dandawate: No we cannot raise prices too much for the reason that technical marks govern the appointment so suppose I am scoring say 95 and other fellow is scoring is 94. I can bid 25 lakh plus not more than that. If I bid for 50 lakh plus then I will lose the job.

Sanjeev K Damani: Okay got it Sir so at some reasonable level we can raise?

Pandurang Dandawate: Yes reasonably we are raising but again you can say it is a volatile burden.

Sanjeev K Damani: Because the person said that we were having 70% margin and these days the margin have almost getting finished very thin margins are there now by the way. Sir thank you very much and if possible I will get in touch with you some day in the office.

Pandurang Dandawate: Sure.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to Mr. Gopal Chandak for closing remarks. Thank you and over to you.

Gopal Chandak: Thanks everyone for joining the conference call of Dhruv Consultancy Services Limited. If you have any queries you can write to us at vastupal@kirinadvisors.com and once more thank you everyone for joining the conference.

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