"Desco Infratech Limited"

H2 FY26 and FY26 Earnings Conference Call

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Moderator: Ladies and gentlemen. Good day, and welcome to Desco Infratech Limited H2 FY26 and FY26 Earnings Conference call. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Malhar Desai, Whole-Time Director and Promoter, Desco Infratech Limited. Thank you, and over to you, Mr. Desai.

Malhar Desai: Good morning, everyone. And thank you for joining the Earnings call of your company Desco Infratech Limited. We appreciate your continued trust and support towards the company. During the financial year under review, the company continued to strengthen its position in the infrastructure and utility solutions sector with a focus on execution efficiency, operational scalability and business diversification.

Despite a dynamic market environment, we remained focused on timely project execution, strengthening client relationships, improving operational efficiencies and expanding into new growth opportunities. One of the important strategic developments during the period was the acquisition of SGAEPL, in which compressed biogas plant should get commissioned in the quarter 1 of financial year 2027, showcasing our ability to diversify into different markets.

Further the incorporation of Desco Global FZ-LLC marks an important milestone in our international expansion journey. Through this entity, we aim to explore opportunities in overseas infrastructure and energy-related market, particularly in the Middle East region. Additionally, our newly incorporated subsidiary, Desco Bio Green Private Limited reflects our commitment towards sustainability-oriented opportunities and future ready business segments.

The management remains optimistic about the growth and outlook considering increasing infrastructure spending, rising opportunities in utility and energy-related sectors, strategic diversification initiatives and our strengthened execution capabilities. We continued to maintain a disciplined approach towards financial management, governance and compliance standards as expected from a listed entity.

I would now request our Executive Director, Mr. Samarth Desai to take this forward. Yes Samarth, it's over to you.

Samarth Desai: Thank you Malhar bhai. I welcome you all on today's Earning call of your company Desco Infratech Limited. Our journey is defined by execution, resilience and a clear vision for the future. Over the past year, we have strengthened our position across the PNG, CGD infrastructure, power distribution and emerging clean energy segments like CBG and renewables.

Our focus remains sharp and clear, that is delivering projects on time, maintaining margin discipline, and scaling with purpose. What sets us apart is not just our order book, but our ability to execute complex EPC projects with consistency, discipline, quality and strategies. As India accelerates towards a gas based and sustainable energy economy, we see a strong long-term opportunities aligned with our capabilities.

Going ahead, our journey is simple. Expand intelligently, diversify into high growth clean energy solutions and continue building a robust future ready organization and ecosystem. We are not just building infrastructure. We are building the backbone of tomorrow's energy ecosystem for tomorrow's next generation. Thank you.

Malhar Desai: I would now provide a brief overview of the financial performance of your company for the half year and year ended on 31/3/2026. Here is the financial highlight. The revenue from operations for the period stood at INR 118.79 crores against INR 59.61 crores in the corresponding previous period, showcasing year-on-year growth of 99.28%.

Our EBIT stood at INR 23.43 crores, showcasing year-on-year growth of 76.30%. The profit after tax stood at INR 16.38 crores, showcasing year-on-year growth of 80.87%. Our debt-to-equity ratio which is very much negligible and is maintained at 0.2x. Our net worth has increased by 20% as compared to previous years.

EPS stood at 21.34 which is significant increased from previous year by 33%. The company continued to focus on margin optimization, efficient working capital management, project execution discipline, cost rationalization measures and aggressive diversification to different verticals.

Our order pipeline and business visibility remain encouraging, supported by continued sectoral demand and expansion initiatives. The balance sheet position of the company also remained stable and adequately positioned to support future growth plans. Well with this, we conclude the financial overview and opening the floor for the questions. Thank you so much for the patience. We can go ahead with the Q&A sessions now.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you may press star and one to ask a question. Ladies and gentlemen, you may press star and one to ask a question. First question is from the line of Raghav, an Individual Investor. Please go ahead.

Raghav: Yes. So first of all sir congratulations on amazing numbers. So my first question -- I have like two questions. First of all the cash flow is still negative. I understand like for a growing company it will be negative for some time, but like what's the future in terms of cash flow, what you can see and my second question would be like you guided for some INR 1,000 crores revenue in 5 years. So like it is a like too far of a number for us to imagine right now. Can you guide us like step to step how like what's the visibility for the next 2 to 3 years like where do you see the revenue in maybe 2 years or 3 years so that it’s easy for us to do the math and all?

Malhar Desai: Yes Raghav. That's a fair questions. And let me address it to you very directly. First of all, we'll talk about the negative cash flow. The negative cash flow is primarily due to the growth led and not because of the stress led. We are seeing a sharp scale-up in execution, which basically naturally increases some working capital deployments, maybe some receivables during project ramp-ups.

But you know what is important is our revenues are basically backed by the execution and not just booking the assumptions and something likewise. Collections are basically aligned with the project cycles and not delayed structurally. And going forward, as projects are maturing, cash flow conversions will improve and it will surely get normalized.

So basically this is a temporary absorption of the cash for scalable growth and it is not a liquidity issue. So like Raghav, if you must have been in the previous earning call, the last year's earning call during May 2025, I basically promised that the cash flow will see a good improvement in terms of absolute percentage against revenue.

So last year we had a revenue of almost INR 60 crores where our cash flow operating was, I think INR 12 crores negative. And when we see this year, it's INR 118 crores top line and this thing our operation negative cash flow is I think INR 18 crores to INR 19 crores. So we hereby see an improvement in the negative operating cash flow with almost 3% to 4.5%.

So yes, like as I promised we are improvising the same and I may not be of the surprise like if the next year at this time we may be at the par or may see a slight positive cash flow. And like the second question that you have just raised about the INR 1,000 crores revenue by 2030. So yes, I would like to again reiterate on the on the data that has been given by the Ministry of Petroleum and Natural Gas Regulatory Board.

See, right now also the overall volume that has covered in piped natural gas is just 6.5% against the 100% total volume in this nation. So yes, remaining 93% is still left to get converted to piped natural gas. Our focus remain constant on CGD like city gas distribution EPC projects where we are competent enough.

And yes, the scale is amazing. There are some Middle East crisis that happened in March and those crisis are basically I'm seeing as an opportunity like the demand has increased and everything has increased. So yes, what I foresee is INR 1,000 crores we will be able to achieve easily by 2030. And in current and going forward in next 2 to 3 years, I can see the revenue growth by I think minimum 70% to 80% year-on-year.

Raghav: Okay sir makes sense. Thank you.

Malhar Desai: Thank you, Raghav. I hope this has clarified your queries.

Moderator: Thank you. Next question is from the line of Aniket from Steptrade Capital. Please go ahead.

Aniket: So my question was with regards to the margin contraction. So if you could quantify on that. If we look at the operating level and the net level, the margin?

Malhar Desai: I beg your pardon, Aniket. I beg your pardon. Will you please pardon me again?

Aniket: Yes, am I clear now?

Malhar Desai: Yes, you are audible enough.

Aniket: Yes, so I was just asking the contraction, margin contraction in the quarterly basis and the annually basis. So if you could just quantify the reason for the same?

Malhar Desai: Yes, so like it's a good question Aniket, thank you for this question. Yes, the margins are sustainable at this current level. The margins got a little bit squeezed due to our entry in power distribution and solar EPC solution projects that we have commenced in the H2 of the financial year 2026.

And more importantly like they are structurally improving, they are not just one-off. Margin expansion is basically coming from you know this project mix and leveraging operating at scale increases like some tighter cost controls. We are consciously about not chasing low margin growths. Going ahead, our margins may fluctuate quarter-to-quarter, but the direction remains stable to improving.

Aniket: Make sense. So can I have the product, I mean revenue mix for H2 FY26 and full year?

Malhar Desai: Sorry?

Aniket: Can I have the revenue mix for the?

Malhar Desai: The voice was just not audible.

Aniket: Yes, so can I have the revenue mix for H2 FY26 and full year FY26 and the margins for different segments. I mean as you said you have entered in power distribution and solar business in H2. So I just want the margins in both the segment in CGD business and the solar business?

Malhar Desai: So like out of our INR 118 crores revenue, our CGD like city gas distribution has achieved a fair good revenue of INR 83.24 crores and our power distribution and solar EPC revenue stood at INR 35.37 crores. So which takes to our total of INR 118 crores wherein CGD our margin are sustainable like I promised in the previous year.

It remains the consistent with 15.3% profit after tax and power and solar distribution, power distribution and solar EPC solution is almost having the margin of around 9.5% to 10%. But yes, why the company has opted to move to power and solar EPC? To make the cash conversion cycle very good and very efficient.

See, like when it when we talk about our legacy ancestral CGD EPC business, CGD EPC business cash conversion cycle is not that amazing as compared to solar EPC and power distribution sectors, right? So this is the reason that we have opted to move into power distribution and solar EPC channels.

Aniket: Okay. And going forward, this will be the same proportional business for FY27?

Malhar Desai: Sir this, this is going in our business, city gas distribution will remain the biggest contributor for your company which is Desco Infratech Limited like the ratio will be around 60 to 65% from CGD EPC and remain comes from power distribution channel and solar EPC solutions.

Aniket: Okay, got it. And so lastly could you just provide the guidance for FY27? I mean in terms of top line and bottom line?

Malhar Desai: Sir, I just I just provided the guidance of around 70% to 80% YOY growth on top line.

Aniket: Okay, got it. That's it. Thank you.

Malhar Desai: On this this is basically the conservative thing, like 70% to 80% will be the conservative thing. As I just committed to Raghav in the previous caller, the scale is tremendous. So I don't see any situation that is stopping us.

Aniket: And any updates on the CBG plant, I mean you mentioned it will be commissioning from Q1 FY26?

Malhar Desai: Yes sir. We are we are definitely commissioning your company's first CBG plant in quarter 1 itself. Initially the goal was to commission 1 ton per day, but since like the 2 ton per day capacity is possible, we have just delayed our commission by 15 to 25 days to get our 2 ton per day commission plant.

Aniket: Okay. That’s it. Thank you.

Moderator: Thank you. Participants, please stay connected the line for the management drop. Ladies and gentlemen, thank you for your patience. We have the line for the management reconnected. The next question is from the line of Manish More, Individual Investor. Please go ahead.

Manish More: Good afternoon, sir. First of all congratulations for a great set of numbers. I have a few questions regarding our unsecured borrowings and order book. So I am starting it with unsecured borrowings. I observed that the company has multiple unsecured borrowings from NBFCs and financial institutions, which typically carry a higher interest cost. Can you please provide clarity on the average cost of these unsecured loans and the strategy and timeline to reduce or completely repay these high-cost borrowings?

Malhar Desai: Okay. So yes, at this stage, our approach remains balanced and our approach remains very much prudent. We are basically using some financing instrument as a tool for efficiency and not basically as a as a tool for dependency. We are not aggressively leveraging to grow artificially. See, like what you just observed the loans from NBFCs.

The loan from NBFCs was taken to fund our solar EPC projects with the timelines remained only 90 to 120 days. So like to fund such projects, you need to have some good financial tools. Now that, see now that after H1 of this current year, we are all set to finance to structure our debt, like considering every NBFCs at the rate of around 16% to 17% per annum for now. After H1 gets over in this year, we will be able to surely structure each one of this debt going forward.

Manish More: Okay, thank you sir. Additionally, how does the company plan to fund the repayment of these loans either through internal accruals or working capital normalization or refinancing it at lower interest rates?

Malhar Desai: Manish, like we are surely going to manage this sum to be paid through our internal accruals only.

Manish More: Okay, thank you very much sir. Secondly, what is our debt-to-equity ratio right now and how do we see it going forward?

Malhar Desai: Previous year also, our debt-to-equity ratio remained at 0.19 and this year our debt-to-equity ratio remains the same which is 0.2 only. Going forward the debt-to-equity ratio may go maximum at 0.3 in coming 1.5 years or something because our company is very well positioned to make some good leverage by having some little bit structured debts and some financial tools.

Manish More: Okay, thank you sir. My next question is regarding our order book. As I can see, you have mentioned that the company has an order book of INR 345 crores. I have two questions regarding this order book. First question is what is the distribution of city gas and power distribution in this order book? And secondly, what is the expected execution timeline of this order book?

Malhar Desai: Okay. So CGD right now out of INR 345 crores, INR 330 crores – INR 332 crores remains with the city gas distribution sector and in which the project timelines are expected at around average of operation and maintenance averages 24 months. Out of out of I think INR 330 crores, I am expecting this operation and maintenance order of around INR 35 to INR 40 crores and which timelines is 24 months.

And rest remains with the EPC of city gas distribution where timeline is 18 to 24 months. So Yes, EPC contains 18-month timeline and operation and maintenance contain 24-month timeline and wherein remaining ones with power distribution, power distribution average timeline is 1 year.

Manish More: Okay, thank you very much sir.

Moderator: Thank you. Next question is from the line of Dhananjay Upadhyay from Tathya Ventures LLP. Please go ahead.

Dhananjay Upadhyay: Hello Mr., Malhar and first of all congratulations for the results which you have put in. My questions are in line with the question which were being asked by Raghav and Aniket only. Can you please provide me segment wise breakdown of revenue along with contribution of each segment, growth outlook and margin profile of each segment? Additionally, I have also seen that we have opened one subsidiary in Dubai. I want to know what will be the contribution of that subsidiary in our financials going forward? And how will be like the company will plan to scale each segment going forward?

Malhar Desai: All right, Dhananjay ji, thank you for this amazing set of questions, amazing set of queries. Yes, so I would like to first tell you about the company that we have incepted in Ras Al Khaimah which is in free zone right now. So yes, there are your company is basically planning to carry out the EPC works in Ras Al Khaimah only, which is actually developing right now.

And due to this Middle East crisis going on right now, we have planned to delay the delay the ongoing process because like the gas companies in Ras Al Khaimah has stopped their operations looking at to the Middle East crisis and we are also waiting for the policies to get liberal going forward once this war gets over.

So yes, basically there are no investments -- no investments has been made in Ras Al Khaimah, Dubai. And yes, the company is foreseeing that Ras Al Khaimah gas EPC is going to turn around lot many things like profitability, execution capabilities. There are some better milestones of the payments when we talk about company in Ras Al Khaimah.

Dhananjay Upadhyay: Okay. And what about the like segment wise which I asked, segment wise breakdown of revenues going forward?

Malhar Desai: Yes, so segmental revenue will be our focus remained very much stable. The CGD business will always get you the minimum revenue of 60% to 65% going forward and remaining 30% to 35% goes with power distribution and solar EPC sector, considering the green energy segment and Greenfield projects. See your company has already been into the Greenfield projects such as compressed biogas and we remain focused to incentivize our business with the nation's interest. Basically, we are focusing more into essential services of the nations.

Dhananjay Upadhyay: Okay, got it. And one more question was regarding with the cash flow. I just wanted to ask what will be the structural changes which we will be implementing going forward because as I can see in half yearly -- half yearly one results which were put earlier and now these results as well like we are at negative cash flows. That is okay. The industry which we are in will have negative cash flow. But what will be the like structural changes in working capital management which we will be doing to support this?

Malhar Desai: Yes, sure. That's a fair enough question. Like I just answered Raghav. See, the negative cash flow, it is basically the growth driven and it is not the stress led one. See, working capital deployment is growing more because the company -- because the company is growing at a revenue and the growth rate of like 80% to 100%. So like going forward and as I promised you the previous year, we have comparatively improved our operating cash flow.

And going forward, I can promise you one thing in coming next 2 years, we will be reporting the cash flow operating that will be positive. Like I won't be of any surprise to like to report the at par operating cash flow the coming year itself or maybe after that year we will be definitely able to make the cash flow very positive and you have my promise on this.

Dhananjay Upadhyay: Okay, fair enough. Thank you.

Moderator: Thank you. Next question is from the line of Surendra Reddy from Chartered Investor Community. Please go ahead.

Surendra Reddy: Yes. Thank you very much sir and congratulations on a great set of numbers. Sir actually I have one doubt like in the second half like I can't see like much growth in CGD, rather like power distribution side is it's like more kind of revenue. So may I know the reason for that?

Malhar Desai: Sir like when we talk about the power distribution EPC and solar EPC solutions. There has been a trend in our country like H2 and quarter 4 remains the biggest execution excellence growth when it comes to power distribution sector and when it comes to solar EPC solutions. Like in the first half, there has been the force majeure situations like monsoon and because of monsoon we don't get the ROW like ROUs from the municipal departments and everywhere.

SO yes, this H2 remains consistent and execution and with the great execution capabilities. So yes, going forward also, you will be able to see the 65% revenue growth from H2 itself and maximum will be from the quarter 4. Because all the permissions and everything just goes away like in the vendor's favor which are us.

Surendra Reddy: Okay, got it sir. Sir also like on the like how much total addressable market we are seeing on CGD distribution like separately other than power distribution side?

Malhar Desai: Sorry, I beg your pardon Mr. Reddy.

Surendra Reddy: Yes, like what is the total like serviceable addressable market for our company in the CGD like city gas distribution as of now sir we are seeing?

Malhar Desai: Sir, the market is basically huge wide open. Like I just mentioned like okay, the sky is the limit. Out of 100% scale India has just been able to connect the pipe natural gas in CGD sector of only about like 6.5% and 93% still remains ungasified through pipe natural gas. So yes, and already Ministry of Petroleum and Natural Gas has given a mandate that by 2030.

The gas-based pipe natural gas to every residences must be there of at least around 12% to 15% and by 2040 it must go to 25% to 30%. So yes, going forward and in line with our guidance given by our CMD Mr. Pankaj Desai that we will be able to achieve INR 1,000 crores revenue by 2030. I guess maybe we will save 1 year for that this is what I foresee.

Surendra Reddy: Okay. Yes, thank you very much sir. I'll come on the queue.

Moderator: Thank you. Next question is from the line of Keshav Garg from Counter Cyclical. Please go ahead.

Keshav Garg: Sir I wanted to understand what is the other current asset of INR 56 crores which was INR 26 crores last year?

Malhar Desai: Yes sir. Last year our revenue stood at INR 59.61 crores out of which out of which this INR 25 crores other expense are for our business associates, labours, plumbers and salaries and many more things. So yes, when we are going with 100% growth rate it will definitely going to get increased. And yes, these are the expenses of this business associates like commissioning teams, salaries.

Keshav Garg: Sir I am talking about the balance sheet. I am not talking about the P&L. Other current asset, I am not talking about other current expenses?

Malhar Desai: Okay, like other current assets are they are basically work in progress. See like I told we had commenced our 13 to 14 operations on January 1, 2026, out of which like operations has been done, the work has been carried out and the bills are being certified. So expense has been made and so the work in progress that is unbilled amount has been mentioned.

Keshav Garg: Okay, that is the unbilled amount. So shouldn't it come in inventory?

Malhar Desai: Yes, that is work in progress, GST receivables.

Keshav Garg: Okay, understood. So sir now the question is that now sir two things are there. First is that to growth from low base is easy, but as soon as the base gets increase in that 70%, 80% on a higher base is relatively tougher. And on top of that you are saying that operating cash flow will be positive. So it means that we have done a revenue of INR 120 crores and if we grow 80% that means we will do something like INR 210 crores, INR 220 crores in FY27 means despite of such growth our operating cash flow will become positive?

Malhar Desai: Sir it will become positive the reason is that we are in a listed space now. There are lot many companies in city gas distribution which are not on listed space. They don't get the big financial products and big financial instruments like we have been getting. There are some good M1x platform of discounting where we can sell -- where we can get the sales discounting, purchase discounting. So yes, your company has basically opted for the said things which leverages our working capital cycle.

Keshav Garg: Okay, understood. So in trade receivable exchange you can basically factor that out?

Malhar Desai: Yes, sir if I tell you crystal clear that apart from Desco in gas CGD there are no other company in India means Desco and one more will be there. They are not even giving the surety bonds and anything, but Desco has started giving the surety bonds, Desco is not giving bank guarantees and everything now. So this is what is making the Desco stand different from their peers.

Keshav Garg: Right sir. Sir Likhitha Infra they also spread the pipeline so I understand they are also our direct competitor?

Malhar Desai: Yes sir, direct competitor and they are much better than us and sir definitely we see them and we can take them 10% to 25% in which our execution capabilities and operation capabilities will be much better. So yes, as a competition we are not seeing to be very honest., but I am seeing them they are beforehand at listed space and we are new. We have just got 1 year old in listed space. So yes, there are a lot many good opportunities to improve, to scale. So yes, we are looking at these things. And we are not looking Likhitha as our competitor to be very honest and to be very fair.

Keshav Garg: Sir basically our business is dig the hole and plot pipeline and dig the hole and plot cable that is basically what the business is?

Malhar Desai: I am telling you sir digging the hole and plot a pipeline, to commission them, to above ground connect and light the gas this is what we can tell you and after that to do their maintenance. This is the CGD work. Now we will talk about power distribution. So transformers to transformers 33 KV, 11 KV, 66 KV all these cable laying we have to do through HDD method. So like transformers to transformers there may be big pipeline then solar plants to some industries or something like that.

This is the way work is going to be by giving them connectivity and giving them electricity. Now we will talk about solar EPC solutions. So solar EPC solution what we do we are doing basically this fencing jobs, compound wall things and by doing the designing and solar panel civil structure and electrification and this is what ground mounted fitting fabrication and all that that. This is what we do.

Keshav Garg: Understood sir. Sir in this business we are earning 20% EBITDA margin. So first of all it is a tender business. So in tender business margin is not in our hand that will depend on how aggressive bidding is going on. So according to that either if people are doing more aggressive bidding, then we will not get or we will have to match with competitive intensity. So margins today is 20% last year it was 23%, what do you think that going forward the type of bidding is going on, is this margin sustainable?

Malhar Desai: Sir amazing question, I am glad you ask this question. Basically sir what happens in this sir. I will give you an example if you have 2 minutes only. Sir now in CGD there was a Middle East crisis. The Iran-Israel war is going on, US and Iran-Israel where Strait of Hormuz is closed and now in India compulsory pipe natural gas has been done.

Now what happens here every company started approaching us and in layman language if I will tell you that whenever a promoter commit a mistake when his pocket is full. So that's where we made ourselves very clear, we are not going to take every company acceptance of the letter of award.

We will definitely look out for the greatest of the margins where we basically improve our margins in gas because this crisis times in the times of crisis are the time where you can be like where the opportunity arises. So going forward we have not accepted all the work, we have been attentive and accept few work. So going forward your company is promising you that this margin will be sustainable and company to increase the order book they won't pick up any book and this is the promise from me to you.

Keshav Garg: Understood sir. Sir like in CBG plant in Q1 2 ton per day in that total capex is how much and from that what revenue is generated from that in first year?

Malhar Desai: Okay, so like Q1 we believe that we will commission the plant and to commission 2 ton per day we spent a capex of approximately around INR 3.5 crores to INR 4 crores, where civil structure and infra is left to be built. So basically, we are focusing on commissioning the plant for now and operational expense that incurred was around INR 60 lakhs to INR 65 lakhs. And going forward we are even expanding our plant to set up another 15 to 20 tons per day capacity by a period of next 18 months.

Keshav Garg: Sir understood. After doing INR 4 crores capax in that 2 TPD the gas which will be generated from what revenue will be generated on a per annum basis?

Malhar Desai: Just a moment I am just giving you. For 1 ton per day sorry for 2 ton per day the company will generate the revenue of not less than INR 1.4 lakhs a day. In this what we call 2 ton per day; per day your revenue will be INR 1.4 lakh to INR 1.5 lakhs.

Keshav Garg: Per day?

Malhar Desai: Yes, per day. And the billing is fortnightly.

Keshav Garg: Sir meaning INR 5 crores revenue will be for the whole year and in that what will be our margin?

Malhar Desai: Sir the margin stands at approximately around 22% to 23%.

Keshav Garg: Okay, understood sir. Sir basically 4-year payback is ours?

Malhar Desai: Yes sir. We can consider around 3.5 years to 4 years.

Keshav Garg: And sir is this gross margin or EBITDA margin what you are telling 22%, 23%?

Malhar Desai: It is a PAT sir. 22% to 23% is going to be the PAT.

Keshav Garg: Okay it's a PAT margin. Okay sir understood. And sir what will be our total capex like this INR 4 crores is CBG and apart from this is there any other capex?

Malhar Desai: Yes sir. As we have said 15 ton to 20 to per day in the different portion of area, we have already signed MOU in South Gujarat and your company is basically in talks with the farmers in Madhya Pradesh Dhar as well. And I am expected that MOU to be done by 30 days from now.

Keshav Garg: Understood. And what will be the capex in this sir?

Malhar Desai: Sir in South Gujarat I am expecting the capex of around INR 12 crores to INR15 crores, while in Madhya Pradesh Dhar I am expecting a capex of about INR 9 crores.

Keshav Garg: Okay around INR 25 crores will be the capex both combined?

Malhar Desai: Yes INR 25 crores capex will be done easily.

Keshav Garg: And the total capacity will be 15 to 18 TPD both combined?

Malhar Desai: Yes, sir both combined.

Keshav Garg: Okay sir. Understood sir. Thank you very much.

Malhar Desai: Thank you so much sir.

Moderator: Thank you. Next question is from the line of Purvesh Tibrewal from DJ Investments. Please go ahead.

Purvesh Tibrewal: Yes, hello, thank you. Actually my questions have been answered. So thanks a lot.

Malhar Desai: All right, no problem, Purvesh.

Moderator: Thank you. Next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead. Mr. Rathi, can you hear us?

Madhur Rathi: Yes. Sir so I wanted to understand the customer mix between in the CGD segment as well as the power distribution segment between private and government. And sir we have a INR 650 crores pipeline, so how is the mix between CGD project and non-CGD project and the customer mix?

Malhar Desai: Yes, all right. So topmost customer in CGD stands is our public sector undertaking, which is Bharat Petroleum Corporation Limited, GAIL India, Indian Oil, Indraprastha Gas Limited. That's what we call this public sector undertakings and semi-government undertaking projects or companies. And when we talk about private players, our blue-chip client stands at Torrent Group and Adani Group, which is Torrent Gas, Torrent Power, Adani Total Gas. And in power and transmission distribution and in solar EPC solutions, KP Group has been the tremendous support to us,

Madhur Rathi: No sir, I wanted to understand regarding the mix. I can see your customers on your website. I was just trying to understand that out of this INR 330 crores, how much is from public sector enterprises and how much is from private?

Malhar Desai: Yes. So 70% stands from public sector undertaking, 30% stand it is around I think 72% public sector undertaking, 28% to 25% will be this private blue-chip clients.

Madhur Rathi: Got it. And sir how is the working capital cycle for both of these in CGD segment and if you could help us understand?

Malhar Desai: Yes. So CGD segment, our working capital days are approximately 30 days to 35 days, whereas power distribution and solar EPC days are just 10 days to 15 days. That's where like your company has opted to move into power distribution and solar solution EPC.

Madhur Rathi: Sir, so this is cash conversion cycle or sir because what because it doesn't reflect on a sir, so if I consider INR 30 crores trade receivables that we have on INR 120 crores revenue, which comes out to be much higher than the 30 to 45 days that we are guiding?

Malhar Desai: Sir, actually this is the thing like your company has started some jobs, 13 I think 13 to 14 location operation and maintenance services and some EPCs job has been started on January 1. So like there are a lot many expenses, lot many jobs has already been done in there and like and there are some bills to be certified. They are under certification of the said things and so that fall under unbilled revenue and work in progress cycle. And also there is an involvement of retention amount in debtors debtor part, which get released at the time of defect liability period gets over after the contract closure of the contract.

Madhur Rathi: Right.

Malhar Desai: And our defect liability period is around I think 36 to 48 months now.

Madhur Rathi: Okay, got it. Sir, also our margin profile has changed from 8% to 20% and our gross margin have also improved a lot. Sir so have we moved from sir so do our customers supply the raw material and we just do the EPC work for them or even the raw materials are supplied by us to the customer and that is included?

Malhar Desai: Like Yes here I would like to give you some clarity. When we talk about private players. Private players provide us the free issue materials, some of the portion of the contract they provide us the free issue materials and some of the inventories and tools tackle has to be managed by us. Wherein public sector undertakings. The raw materials has to be provided by us and get the same fitted to the households and everywhere.

Madhur Rathi: Okay, got it. Sir, also on the INR 650 crores pipeline, sir if you could help us understand how much is from CGD and how much is from solar and power distribution?

Malhar Desai: Approximately around INR 470 crores to INR 480 crores this tender under pipeline in city gas distribution sector only, INR 100 crores or something like in solar EPC solutions and power distribution sectors. Just because of this Middle East crisis like this tender are yet to open. We are just waiting for this tender to get open so that it will you know definitely boost the order book.

Madhur Rathi: Got it. Sir so what led to our margins improving from 8% to 20%, 22%, 23%?

Malhar Desai: Like you are comparing this thing from which year to which year so that I'll be able to give you some light.

Madhur Rathi: Sir between FY22 and 23 we did 8% margin, which moved to 20%. So what led to this improvement?

Malhar Desai: Sir we will talk clearly with transparency. Sir the companies which are unlisted. See I won't be naming anyone and I don't even want to tell anything wrong about any promoter, any player, any company. Sir let me tell you sir no one wants to show profits to pay taxes to the government. This thing we also used to do then many people we met and we even went into good seminar and all.

So we get to understand what value addition is, what is wealth creation. And from there we made we understood things and so Yes sir see it's all about the mindset to be very honest. Why not to show your profits? Why not to share your profits with every individual, every shareholders that is believing in you.

Madhur Rathi: Right. Sir understood sir. Got it. Sirs thank you so much and all the best.

Malhar Desai: Thank you so much sir. Thank you so much.

Moderator: Thank you. Next question is from the line of Maitri Shah from Sapphire Capital Partners. Please go ahead.

Maitri Shah: Yes. Hello, good morning. Most of my questions are answered, but on the CBG side, so you did mention that we are looking to expand to 15 tons per day. So this is the total capacity including the 2 tons that we are operationalizing in the first quarter?

Malhar Desai: No ma'am. 2 ton per day will be commissioned in June maximum, because we are already trying to get it commissioned by end of this May. And this 15 ton per day capacity is the fully new expansion that we are aiming into. 5 ton per day capacity will be there in Shri Green Agro Energies Private Limited and rest all will be done in Desco Biogreen Private Limited.

Maitri Shah: Okay, so this will be 100% owned by us?

Malhar Desai: Yes ma'am, yes.

Maitri Shah: Okay. And how much is the split between Gujarat capacity and the Madhya Pradesh capacity that we are aiming?

Malhar Desai: Gujarat capacity we are planning to enhance the Gujarat capacity at 12 ton per day, while we are planning to enhance basically commence our and incept our Madhya Pradesh capacity at around 4 to 5 ton per day.

Maitri Shah: Okay, 4 to 5 ton per day. And all of these capex will be done through a loan or internal accruals? Any equity raise are you planning? How is this going to be?

Malhar Desai: Ma'am actually no comments on equity raising for now. We are planning to we are planning to raise the fund through banks.

Maitri Shah: Okay, so debt funds?

Malhar Desai: Yes ma'am. Like a greenfield project financing and all.

Maitri Shah: Okay. And currently you mentioned our debt rate is at 16% to 17%. So once you structure your debt, what sort of cost on debt you are expecting it to go down to?

Malhar Desai: Ma'am, I think it will be around 8.5% to 9.5%, not more than that.

Maitri Shah: And once this CBG plant kind of operationalizes in Q1, any plans on taking the rest 25% stake in the company or are we comfortable with the current position?

Malhar Desai: No ma'am. We are definitely looking to increase the promoters holding.

Maitri Shah: No, for the CBG plant that we have 75% stake in the SGAEPL right?

Malhar Desai: Ma'am I think SGAEPL will soon get merge into Desco Biogreen Private Limited once they plan and commission the 5 ton per day capacity. We are only interested in creating the big wealth for each one of our shareholder which are who are believing in us and who stood by us 2 years back while we were not in a greatest of the position.

Maitri Shah: Okay. And this 2 tons per day, so now once we start commissioning the facility, do we have contracts of someone buying like the PSUs buying from us?

Malhar Desai: Ma'am already we already have 4 LOAs with us. This is the -- that is the strategic acquisition. I am sorry we already have one LOA from public sector undertaking and that is the strategic holding of the stakes in SGAEPL. So yes, this is the reason why we took the stakes of around 75% to 76% in Shri Green Agro Energies Private Limited to get all the permissions.

Maitri Shah: Okay, so for the entire capacity, 2 tons per day, they are going to be utilizing the entire capacity?

Malhar Desai: No ma'am. We are basically 2 ton per day to be commissioned in quarter 1. We are basically aiming to commission 5 ton per day very soon. LOA is for already 5 ton per day capacity.

Maitri Shah: Okay LOA is for 5 ton per day. And you expect this to be EBITDA breakeven and PAT breakeven in this fiscal year itself?

Malhar Desai: Breakeven will be there in the next 18 months I believe 18 to 20 months maximum.

Maitri Shah: Okay. And on so this CBG so the CBG kind of revenues you will be adding it to your power and renewable sector itself, that's the vertical you will be adding?

Malhar Desai: Yes ma'am. Along with our EPC CGD, power distribution and solar EPC. Basically ma'am I want to tell you in Hindi that we are doing this work and we know from this work only for piping infra. At home do piping infra and light the gas and when the light is on it looks good, but along with that many investors have faith and trust in us. So yes, we are also planning to sell our gas now to the people we are working for in Desco Infratech Limited. Yes, so yes, we have got this confidence to be the independent gas producer with the belief that has been put in us by each one of our investors. So it will be the segmental separate reporting.

Maitri Shah: Okay. So now that you have guided for that INR 1,000 crores revenue in that 60, 65 you said will come from CGD, what sort of portion you expect coming from this CBG and then the balance coming from power and renewables?

Malhar Desai: Ma'am I believe compressed biogas also falls under city gas distribution channel itself. So yes, I am expecting CBG revenue at around INR 170 crores or something like that.

Maitri Shah: By FY2030 end.

Malhar Desai: By FY 2030 end, yes.

Maitri Shah: Okay. Yes. And lastly just you mentioned like we had signed an MOU for green hydrogen. Any updates on that?

Malhar Desai: Yes ma'am. Like it is basically in a very premature zone. Since we all know like production of green hydrogen right now is very costly as compared to in coming years because solar park is definitely required to make that thing very profitable. But we all know that green hydrogen is going to be the coming future in next half a decade. So yes, the documentation has been done, we are just waiting for the fair opportunity to get into the same. So yes, your company will be surely blending the green hydrogen into city gas distribution gas which contains methane.

Maitri Shah: Methane, okay. And this EPC something we will only do?

Malhar Desai: Yes ma'am. Desco Infratech Limited will do each and every EPCs for this thing.

Maitri Shah: Okay. And the CBG plants -- EPC we will be doing, so we will be owning the plant, am I correct?

Malhar Desai: Yes ma'am. And its EPC will be done by Desco Infratech Limited because Desco is expertise in that.

Maitri Shah: Okay. Yes, thank you so much for answering. All the best.

Malhar Desai: Thanks Maitri.

Moderator: Thank you. A reminder to all the participants, you may press star and one to ask a question. A final reminder to all the participants, you may press star and one to ask a question. As there are no further questions, I would now like to hand the conference over to Mr. Malhar Desai for closing comments.

Malhar Desai: All right. Thank you each and every investors for taking this valuable time out and hearing to us. So at your company Desco Infratech Limited, your company remain focused with scale with prudence, maintain margin stability and capitalize on India's accelerating transition towards a gas based economy and sustainable energy economy.

The opportunities ahead are significant and we are very well positioned to capture them with our execution strength and on ground capabilities. There is one saying in Hindi Success belongs to those whose dreams have life and Wings don't do anything, it's courage that makes one fly. Even if the path is difficult, one should not stop and with every choice, a new identity is revealed.

So these lines basically reflects our belief that growth is not accidental. It is built with persistence, the courage and the conviction. As we move forward now, our commitment is to create long-term value for all the stakeholders while contributing meaningfully to the nation's energy infrastructure basket. Once again, I am thanking each one of you for giving your valuable time and hearing us out. Thanking you for your continued trust and support. Thank you so much.

Moderator: Thank you very much. On behalf of Desco Infratech Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.