

July 16, 2025

To
The Compliance Manager
BSE Limited
Corporate Relationship Dept.,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400001.

To
The Manager, Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai 400 051.

Scrip Code: 544419

Symbol: ARISINFRA

Subject: Transcript of Earnings Conference Call of Arisinfra Solutions Limited – Q4 & FY25 Financial Results

Dear Sir/Madam,

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of Earnings Conference Call of Arisinfra Solutions Limited (*formerly known as Arisinfra Solutions Private Limited*) (“Company”) held on July 14, 2025 at 4:00 PM where the Company’s business and financial performance for Q4 & FY25 was discussed.

This is for your information and record.

For Arisinfra Solutions Limited
[Formerly known as *Arisinfra Solutions Private Limited*]

Ronak Kishor Morbia
Chairman and Managing Director
DIN: 09062500

Place: Mumbai

Encl.: As mentioned above



“ArisInfra Solutions Limited
Q4 FY '25 Conference Call”
July 14, 2025



MANAGEMENT: **MR. RONAK MORBIA – CHAIRMAN AND MANAGING
DIRECTOR – ARISINFRA SOLUTIONS LIMITED**

**MR. SRINIVASAN GOPALAN -- CHIEF EXECUTIVE OFFICER –
ARISINFRA SOLUTIONS LIMITED**

**MR. BHAVIK KHARA – WHOLE-TIME DIRECTOR AND CHIEF
FINANCIAL OFFICER – ARISINFRA SOLUTIONS LIMITED**

MODERATOR: **MS. MAMTA SAMAT – ADFACTORS IR**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY25 Conference Call of ArisInfra Solutions Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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 Ms. Mamta Samat from AdFactors IR. Thank you and over to you, ma'am.

Mamta Samat: Thank you, Riyo. Good evening, everyone, and welcome to the Q4 and FY25 conference call of ArisInfra Solutions Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call.

The statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict. Today, we have with us Mr. Ronak Morbia, Chairman and Managing Director, Mr. Srinivasan Gopalan, Chief Executive Officer, Mr. Bhavik Khara, Whole-Time Director and Chief Financial Officer, and AdFactors IR team. I now hand the conference over to Mr. Srinivasan Gopalan, Chief Executive Officer of ArisInfra Solutions Limited, for opening remarks. Thank you and over to you, sir.

Srinivasan Gopalan: Thank you so much, Mamta. Good evening, everyone. Thank you for joining us today on our maiden earnings conference call as a publicly listed company. It's a proud moment for all of us at ArisInfra and we are excited to share not just our results of financial year 2025, but also some important updates as we prepare for our next phase of growth.

We are building a disciplined, technology-enabled supply and services business that brings reliability to India's construction sector. As a solutions provider, addressing the longstanding supply chain inefficiencies in this sector, we are well positioned to unlock the significant opportunities that lie ahead, both for large corporates and for the broader economy.

I am Srinivasan Gopalan, CEO of ArisInfra Solutions. Joining me today are Ronak Mobia, our Chairman and Managing Director, and Bhavik Khara, our Whole-Time Director and CFO. Before we get into the nitty-gritties, let me begin with a significant and strategic leadership announcement.

As a part of our continuous focus on execution, capital discipline and long-term value creation, we are realigning our top management structure. Our Promoter and Whole-Time Director, Mr. Bhavik Khara, will now also take over as the Chief Financial Officer of ArisInfra. With his deep understanding of our business and sharp financial acumen, Bhavik's expanded role reflects our intent to keep critical levers from capital allocation to risk management closer to the core leadership team.

I want to congratulate Bhavik and wish him all the very best in his new endeavor. Our outgoing CFO, Amit Gala, has decided to move on from ArisInfra. We thank him for his contributions during a crucial phase of our journey, particularly in supporting the IPO process.

What Aris really is? Let me start explaining who we are and how we operate. We are an organized material supply network for India's construction industry, a market that has historically been unorganized and fragmented.

The construction sector has long-lacked a consistent, execution-focused supply partner at scale. At Aris, we aim to fill that gap through disciplined delivery, structured partnerships and the ability to serve daily demand across projects. Our model is built on three essentials -- onboarding trusted suppliers and manufacturers, mainly SMEs and MSMEs, to build a robust supply network, forming long-term partnerships with them and securing material availability to serve the growing needs of large developers and contractors.

This allows us to operate as a tightly controlled execution engine, handling both bulk material dispatches and project-level services such as development management, inventory marketing and project coordination. For our customers, this translates into three clear benefits -- consistent supply of bulk materials, assured quality and freedom from dealing with hundreds of suppliers and manufacturers.

We provide an end-to-end execution system for materials, covering sourcing, quality checks, delivery and documentation, all driven by our own technology and operations, and we take full responsibility for all of these.

This gives us the reliability and control of a manufacturer without the capital intensity or operational burden of owning and running plants ourselves. To date, we have built this network by onboarding over 1,800 small suppliers and manufacturers and have served nearly 2,800 plus customers across multiple sites and projects in India. This network also acts as a key driver of demand for our services and continues to deepen our role in project execution.

Unlike typical project-based businesses with a fixed order book, our supply model runs on a rolling demand -- daily, repeat, high-volume dispatches driven by long-standing customer relationships and secured capacity. This gives us a stable, visible revenue base without locking us into rigid long-term contracts. Our reserved capacity, diverse customer base and execution depth ensure that we have consistent, predictable business flowing through every day.

Over time, this core engine of supply has naturally created opportunities to extend our role into project-level services as mentioned before, which now contribute a complementary order book to our daily dispatch model, strengthening both margins and customer

Arisinfra Solutions Limited
(Formerly known as 'Arisinfra Solutions Private Limited')

stickiness through deeper integration. We currently oversee projects over INR1,000 crores with an active service order book of INR225 crores across seven live projects covering exclusive material supply and services.

These partnerships run on an asset-light model with healthy margins and minimum working capital needs, further enhancing our capital efficiency. This integrated approach continues to deepen our role in project execution and make us an indispensable partner for large-scale construction. Before I share the operational metrics, I want to emphasize what these numbers really show. More vendors on our platform, more secured capacity, more customers and higher repeat business are not about chasing volumes.

They are proof points of the organized supply and services backbone that we are building for India's construction industry. In a market where developers and contractors typically deal with dozens of suppliers and manufacturers, often unreliable and poorly documented, our model solves that problem at scale. We provide guaranteed supply, quality, real-time documentation and disciplined coordination so that large projects run smoothly, vendors get paid reliably and everyone in the chain wins.

Having said that, what we offer is not just supply, but execution support, helping our customers streamline what would otherwise require large internal teams to manage materials, vendors, interaction and site-level operations. At over 650 daily dispatches, we believe the execution load we absorb helps save hundreds of man-hours, coordination efforts and hidden operational costs across project sites. This is the backbone we are building. Daily demand at scale, secured capacity to meet that demand and bundled services that make us indispensable on-site.

Let us now move on to our operational and financial performance. Against the backdrop, let me share how we performed this year. First of all, we are very proud that this is the first year where we have shown a reported profit. Total income grew from INR7,819.82 million up 11% from INR7,023.56 million in FY24, driven by higher daily dispatches, an expanded vendor base and greater wallet share from repeat customers.

EBITDA rose to INR579 million up 345% year-on-year with margin expansion of 561 basis points to 7.48%, supported by a strategic product-mix shift, growing share of third-party manufactured products, expanding services and operational efficiency.

PAT for financial year was INR60.13 million compared to a loss of INR172.98 million in FY24, reflecting a strong turnaround driven by scale, strong margins and disciplined cost control despite absorbing an abnormal and a one-time IPO-related expense of INR73.73 million. Operationally, the scale we built shows up in multiple ways. Our vendor base grew by 26% from INR1,458 to INR1,838, broadening our supply network for large customers.

Registered customers rose 30% from INR2,133 to INR2,779, with 80% of revenue now from repeat orders, up from 73% last year. Average daily dispatches increased from 484

trucks per day to 665 trucks per day, peaking at 816 trucks per day in Q4. Total material delivered grew to 54.47 lakh metric tons, up 36% from 40 lakh metric tons in FY24. Contract manufacturing shares increased from 17.6% to 33.4%, improving margins and supply reliability.

Share of higher margin products, including aggregates, RMC, chemicals and blocks now exceed 83% of revenues. Steel and cement now contribute just 11%, down from 25% in line with our focus on controllable segments. Services have grown 4x since launch and now contribute over 5% of revenue, with stronger contribution in peak quarters. These are not just transaction numbers. They show how our scale, mix and daily delivery engine work together to create a defensible flywheel.

Very important factors on debt-equity ratio and working capital discipline. We ended FY25 with a debt-equity ratio of 1.44, improving from 1.9 to the previous year. A significant portion of the debt was earmarked for repayment through IPO proceeds and with our listing in June 2025, that repayment has been completed. This has meaningfully strengthened our balance sheet, reduced our interest burden and gives us greater financial flexibility and resilience as we move into the next phase of growth.

Our overall net working capital cycle improved from 120 days in FY24 to 110 days in FY25, driven by stronger collections, tighter vendor alignment and more disciplined credit management. We remain committed to bringing this further down, not just as an operational metric but as a strategic lever to unlock more capital for growth, support larger mandates and enhance return on capital employed.

Why does this matter? India's demand for construction material continues to grow and the need for dependable, execution-driven supply partners have never been more important. From the outset, we believed supply alone was not enough. The real opportunity was to pair it with on-site services and take ownership of execution and challenges. Over time, this has created a flywheel, stronger engagement, deeper integration and increasing customer lifetime value.

What are our next steps? Our next priorities are very clear. We have four pillars for it. Grow wallet share with existing large developers and contractors where we have already made inroads. Deepen our product mix with more controllable, higher margin materials. Expand our services and bundled offerings. Keep improving working capital discipline as we scale. So we want to keep our business simple and that's what we are going to concentrate on just these four pillars.

One of the examples is the Nandi Hills project which was announced a couple of days back where we have been selected to deliver both multiple material categories and project level services. So such type of projects have two advantages. One is there is an immense amount of services element there wherein the margins are close to 60% to 70% and then

we are the sole distributor and supplier of materials there where we control the entire project. So that is the kind of integrated recurring business we aim to replicate.

To sum up, a wider supply network, consistent daily demand, growing services, expanding margins and stronger capital discipline all delivered through our own technology and execution. This is not just about dispatching more trucks. It is about building an organized system the industry can rely on every single day and the need of the industry as of today.

Thank you again for your trust and support. I have with me Ronak and Bhavik and we are happy to take any questions that you have as we move on.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mann from GrowthSphere Ventures.

Mann: Hi, Ronak. Hi, Bhavik. So congrats for a great set of numbers. So the first thing that I wanted to know is that when we see the margins of you guys and when I compare it year-over-year, we get that aggregates is a very high profit making or high margin machine, right? So even after increasing their share in the total pie, the margins have contracted a bit. So just wanted to get a view that what happened this quarter that the margins contracted were significantly good numbers?

Management: So yes. Thanks, Mann. So in quarter 4, usually what happens is we fulfill orders in two categories. One is the traded materials and one is through contract manufacturing. And as much as we want to focus on contract manufacturing, there are times when we want to support some key large accounts with materials that don't fall under that bracket. And that is exactly what happened in Q4, where we were supporting a few large accounts with high demand because the construction activity was at peak.

And if you see the absolute number of contract manufacturing stays the same, but there was an increase in the materials. And that's predominantly why there was a moderate profit that was recorded, but it was more of a strategic decision and not less demand from any particular high margin categories.

Mann: Got it, got it. But as in when we go, say in FY '26, have we built up the sufficient capacity or the sufficient product line that is required in the peak demand so we can fulfill the same through our contract manufacturing or third-party manufacturing vertical or we still have to go to the normal trading vertical?

Management: No, no, absolutely, absolutely. In fact, that's been our focus. And what we have done is, I mean, our differentiation lies in execution. And we generally like to focus on categories where we have control over procurement and pricing. And that's what we look to do. In fact, what we've done is we've increased our capacities in the categories that we generate large revenues from, specifically aggregates, RMC blocks and chemicals.

Aggregates, we have close to secured capacity in the north of about 3 lakh metric tons per month, in RMC about maybe 40,000 to 50,000 cubic meters per month. And we are constantly going to increase our capacity so as to fulfill the larger demand that we see coming from existing and new customers. So yes, we have positioned ourselves well in terms of fulfilling this high demand as we go forward.

Mann: Got it, got it, got it, got it. Another thing that I wanted to understand is, what will be the servicing mix of our business in FY '26, not in terms of quantum, but in terms of percentage? And what is the contribution margin for that service? Could you just help me quantify this?

Srinivasan Gopalan: So the services business, if you see, has grown in the past three years at least 4x. And we would be in the range of 5% to 7% of the total turnover would contribute the services margin, services turnover. And the margins typically are between 60% to 70% because there are no direct costs. All costs are just the operational overheads that the company has. So the more the services, the more profitability we are working towards that.

Moderator: The next question is from Shaurya Punyani from Arjav Partners.

Shaurya Punyani: So first question of what percentage of the revenue comes from contract manufacturing and trading, right?

Management: Yes, so about 94% to 95% is from materials, the rest is from servicing. Out of that 94%, about 33% comes from contract manufacturing at the moment and the rest is from traded materials.

Shaurya Punyani: So around 68% trading, right?

Srinivasan Gopalan: And also important to note that this has been consistently increasing. In FY '24, it was just 17% to 18%, which has grown to 33%. And that's why you can see the margin difference as well in both the years.

Shaurya Punyani: So what are typical margins in a contract business and trading business? Like what's the difference?

Management: Yes, so in contract manufacturing, we are currently focusing on aggregates, RMC and blocks. If just to kind of give you some perspective, if you compare traded margins of aggregates versus where we control the entire capacity and have control over supply and quality, the difference in gross margins would be, you know, traded would be approximately 6% to 7%. And in contract manufacturing going up to as much as about 12% to 14% even.

And that is without the operational bandwidth of running our own entire plants and without the risk of actually going low in production. So basically, we operate as manufacturers

without the risks, but the supply security and the margin that is a benefit that we get by operating as manufacturers.

Shaurya Punyani: So like, it's almost double, like 7% to 14%.

Management: Yes. The difference is significant. And that's why we've been very conscious and our focus has been in increasing our capacities through long-term partnerships with a few select vendors, so that we can kind of secure more and more and fulfill the higher demand through this kind of a supply arrangement.

Shaurya Punyani: So like, what kind of a share from this 33% can increase to, let's say, two years?

Management: Yes. So going forward, it's hard to predict the number. In fact, going back, we never thought that we would increase 2 times in just about a year. The focus going forward is going to be in increasing this kind of share, because we feel it's the most exciting segment that we have. And it's a very unique and strategic move to partner with vendors across the country, because there is a lot of capacity that can be leveraged instead of putting up our own plants.

But we have a conservative approach. We feel that about 35% to 40% coming from this particular category is something that we can sustain for the next 2 to 3 years.

Shaurya Punyani: 35% to 40%. So given all that, what kind of growth are we targeting, like in terms of top line, like '26 and 27?

Management: Yes. So overall, in terms of revenue, I think we are -- in terms of revenue, we are well positioned to kind of target a growth of around 40% to 50% for the next 2 to 3 years. That's the kind of growth that we will look to target with the IPO process.

Shaurya Punyani: And can margins go to like 8%, like, 8%-9%?

Management: Yes. So in terms of absolute numbers, I think the kind of support that we have with technology, in fact, most of our workflows, the kind of business that we manage, most of the work is done by the technology that we have built. And we see the operating leverage start to kick in the next 2 to 3 years as we scale. So we see a definite improvement in our EBITDA. In fact, we feel that, you know, we'll be growing at, let's say about a 60%-70% growth in our EBITDA for the next 2 to 3 years. So that's the kind of numbers that we're looking at.

Shaurya Punyani: And so, like, 40% to 50% growth is a big number, so any specific source [inaudible 22:48]

Management: Can you repeat that? Sorry.

Shaurya Punyani: So we are targeting 40% to 50% growth.

Moderator: Shaurya, I'm sorry to interrupt, but your voice is breaking. If you're on a hands-free, request you to use the handset. No, Shaurya, I'm sorry, we can't hear you. If you're maybe in an -- you could change your area, maybe the area you're in, the network is weak.

Shaurya Punyani: Hello. Hello.

Moderator: Yes, better now. Go ahead, please

Shaurya Punyani: I'm asking where -- from where this 40% to 50% growth will come from?

Management: Yes. So let me just, like, break it down for you, so just to make it simple. We currently average it about INR60 crores to INR70 crores of business per month. And we're looking to kind of expand or grow that to about another INR30 crores on a monthly basis, which takes us to an annualized revenue of about INR1,100 to INR1,200, kind of something like that. That's what we are planning to do now. That will come with a competition of increasing our wallet share with the existing customers. And obviously, onboarding new customers in the coming months.

If you look at the customers that we have, these are all large infra corporate, contractors and developers. And we are not even serving about maybe 2% to 5% of their total demand as we speak right now. So the opportunity is huge. This is a massive industry, the construction materials industry is a multi-billion-dollar industry. So the demand is there. Our differentiation lies in execution, as I mentioned earlier. So we just need to kind of generate more orders with these existing customers.

Our average INR60 crores to INR70 crores business is almost on autopilot. That is basically driven by the rolling demand from the existing customers. So this is how we will target our growth, increase in our wallet share with existing customers and onboard new customers as well.

Shaurya Punyani: Okay, sir, that helps. Thank you so much.

Management: Thank you.

Moderator: Thank you. The next question is from Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: So sir, a few questions. Firstly, out of the INR330 odd crores of receivable balance, we have certain overdue receivables. So just want to understand whether till July any recovery has happened or what is your, I mean, guidance on how are we going to receive or recover that money, that overdue receivable?

Management: Yes. So this is all on rolling, I would say the money rotation. We have divided this into two buckets where there are a bit of a stretch receivables, where we have seen continuous improvement in the last 6 to 12 months. And as we go forward, we will see -- we are

committed to getting this money recovered, albeit in a slow manner, but eventually in the next maybe 6 to 12 months.

Most of the money that is in receivables is on rotation basis. Our cash flows on a monthly basis are pretty strong. And the working capital right now is much more under control and we are well positioned to kind of grow from here.

Nirav Shah: Okay. So we haven't received any material amount in the month of July from the past overdue. I mean, stock receivables...

Management: Yes, yes, I think we've close to recovered about INR3 crores to INR5 crores from the stock receivables in the month of July. And that's been the target historically as well. That's how we moved on a monthly basis, we kind of recover somewhat in that range. And we have a good amount of visibility for the next quarter as well to recover this money.

Nirav Shah: Sure, sure. Great. So second question is, I mean, on the treatment of IPO expenses, I mean, I'm seeing the notes to accounts. And it's mentioning that the cost allocated for listing has been recognized as exceptional. But the issue expense, if I'm not wrong, I heard INR17 odd crores that has been adjusted against the say premium account. Am I correct in that observation? And will that accounting treatment continue for Q1, because of IPO happened in Q1.

Management: Correct, correct. So this is going to be reflected in Q4 and Q1. So it's going to be a combination that we and auditor have sort of decided upon and half of it has been going through the P&L and half has been the cash reserves. And that will reflect in Q1 as well.

Nirav Shah: Okay.

Management: So just to give some perspective there.

Nirav Shah: Yes.

Management: Yes, just to kind of add over there, the costs were allocated based on a certain principle that the auditors decided. And that is why a certain portion of the cost is directly gone from premium. And a few have come in our P&L item. And that's defined under the exceptional line item.

Nirav Shah: Any color on what Q1 number can be like for exceptional item? Or we'll have to wait.

Management: So I think it's going to be in the range of INR6 crores to INR7 crores.

Nirav Shah: And balance will be adjusted in the securities premium account?

Management: Yes, yes.

Nirav Shah: Okay.

Management: We're still in the process of buying the numbers, but that's the range that we're looking at now. Yes.

Nirav Shah: Sure. Sure. Great. That's helpful. And last bookkeeping question. I mean, so we have a reported cash in cash equivalent of around INR45-odd crores. But we also keep on having our FDs against maybe margin money or whatever. So can we have that balance or the total cash in cash equivalent balance as of March '25?

Management: So the FDs would be about 70 and pre-IPO money that is ...

Management: Yes, so it's going to be -- the FDs are in the range of INR69 crores to INR72 crores and INR45 crores of cash in cash balances, which is a function of the pre-IPO that we did in Jan and Feb. So the total is going to be about INR120 crores to 130 crores.

Nirav Shah: Perfect. Perfect. Great. That's helpful, sir. Thanks, sir. And all the best, sir.

Management: Thank you so much.

Moderator: Thank you. The next question is from Kaushal Sharma from Equinox Capital Ventures. Please go ahead.

Kaushal Sharma: Yes. So my question is on your margin side. Like I can observe that your margin is hovering around 8% to 9%. So -- and the working capital cycle is very intensive in our business because our receivable days is a little bit higher in our business as compared to payable days, leading to our higher working capital around 160 to 170 days.

Because in the lower margin, we are having a tight working capital, so that is impacting our cash flows. Currently, we have moved our debt via IPO proceeds, but going forward, if our receivable date is like this only, then we must take a debt to fund our business, like you said, at 40 to 45 days.

So in the next -- in future, what working capital are we targeting, like receivable days or what is the sustainable level in our business? And what is sustainable margin in our business?

Management: Yes. So just to kind of put things into perspective there, our net working capital has improved from 120 days to about 110 days as we speak. And we are fully committed to kind of bringing this down further. It's usually a function of time and the volume and the scale of business that you do in this industry.

A good sustainable number that we would be looking to achieve in the next 2 to 3 years is about 80 to 90 days of net working capital. That gives us a good asset turn ratio of around 4. So that's what we will look to do in the future.

Yes, it's a working capital business. We understand the -- we bridge the gap between the payables and receivables. Right now, what we've done is we've increased our payable days by getting favorable credit terms from the suppliers in the market to about 25 days. And we brought on the receivables from about 160 days to about 134. And that's how we've come to a number of 110.

So this is going to be one of the main areas of focus as we move forward, as we scale in this business. And working capital in this business is also a function of the kind of customers that you deal with, the credit limits, the credit management, and obviously, the material mix that we focus on.

So all of these things, coming together and technology to back up with real time data to make, help us with better decisions. We feel that we are in a good position to kind of bringing this number down to a more sustainable number in the future, which is about 85 to 90 days.

Kaushal Sharma: I can see your RHP that you have filed in the IPO. When I can see you're working capital days as on December '24, and you have projected financial '26-'27 is around 129 to 130 days. So how come we can approach to 80 to 85 days if we are itself projecting around 120-130 days?

Management: So we have mentioned in our DRHP and the number I feel that you're referring to is the receivable...

Kaushal Sharma: RHP, yes.

Management: Yes, yes. So we're talking about the net working capital days.

Kaushal Sharma: Correct.

Management: Yes, the net working capital days that I just mentioned here was about 85 to 90 days, it's somewhat in the range that we've mentioned in the DRHP as well. 120 is the receivable days.

Kaushal Sharma: No, 131 -- in financial year '26 is 131 and financial '27 is around 129. If you check on the DRHP.

Management: So that was our conservative approach. And now in the DRHP, and now we already sort of surpassed that in terms of our receivable days and payable days. So what we are trying to say is that we will achieved a target of 85 to 90 days in the next 2 years.

And we're already on path to do that. And we're already going ahead in terms of what we had envisioned in terms of DRHP and RHP. So we want to make this better and better as we go forward. That is our endeavor. And we're on the right track to do that as well.

Kaushal Sharma: And, sir, to fund this 40% to 45% CAGR over the next 2 to 3 years. Are we expecting any amount of debt in future? Like short-term debts and all?

Management: What we look to do is we will use the equity right now for the expansion. But as we move forward, we will leverage a few of the bank facilities, non-fund based limits, as well as invoice discounting facilities to kind of unlock more capital for us to grow. So it's going to be a mix of non-fund based limits, invoice discounting from customer perspective, and infusing our own equity and kind of clubbing it together to fund this growth.

Kaushal Sharma: Okay. Okay, so we'll use mix of debt and equity, right?

Management: Yes, it's not traditional CC lines or working capital debt, but it's more of getting ourselves listed on vendor financing platforms where our vendors can discount our bills and get money faster.

Management: And also the endeavor is going to be keep our debt to equity ratio in the range of 0.5 to 0.7 in the future, without harming the growth that we want to do as well.

Kaushal Sharma: Okay. So debt to equity ratio, we are targeting around 0.5 to 0.7 without sacrificing our growth, right?

Management: Yes.

Kaushal Sharma: And, sir, what is the sustainable margin in your business and who are our four competitors so that we could compare with them in this business?

Management: Yes, so the margin that you see, we look to sustain that and obviously the focus will be to improve. Our competitors, to be honest, we mentioned in our DRHP there is no listed peer. We are different in how we operate.

We are an organized network for supply and services. Not many competitors or not many companies actually do that today. We are a bit of a unique company in that aspect. And our differentiation, again, is in execution. So how to compare us with anyone? We combine material supply services with project level services, which is specifically development management or inventory marketing or project coordination.

And that actually helps us in, give us three key benefits, which is customer stickiness. We are deeply integrated into their system and it helps us really expand our margins as well. So hard to give a like-to-like comparison, not much to comment on competitors, but we have identified a gap in this industry.

We are operating in an industry which has massive opportunity and we are kind of combining our supply experience with the services segment and providing a more holistic solution, which I believe not many other companies are doing at the moment.

- Kaushal Sharma:** So the system margin, we can consider it around 8% to 9% EBITDA level, right?
- Management:** Yes, absolutely.
- Kaushal Sharma:** And do we have any long-term contracts on our payable side or a customer side?
- Management:** So we don't really operate on long-term contracts. Our demand is driven by; it's kind of a rolling demand where we have visibility on their order book and we kind of renew our purchase orders with respect to customers. And that's how we are kind of doing about INR60 crores to INR70 crores of monthly business that we do today.
- So there are no long-term rigid contracts. It's rolling demand. But when it comes to services, when we undertake a project as we announced about a few days back, new project that we undertook and plus the seven projects that are currently active, they act as a complimentary order book to what we do with supply business, where currently we have about INR225 crores of order book.
- Kaushal Sharma:** Okay, sir. Thank you for answering my question.
- Moderator:** Thank you. The next question is from Urmish Shah from Moneywisers. Please go ahead.
- Urmish Shah:** Yes, thank you for the opportunity. My question is also related to debt-to-equity. We work on an asset-like model and we were sitting on a debt-to-equity of nearly two for the last year. Of course, we have reduced it for the current year. Any reason that you can give that we are sitting on high levels of debt? Of course, you mentioned that you want to reduce it further to bring the debt-to-equity to 0.5. But any reason, any color you can give?
- Management:** Yes. So our business model is not just to connect supply and demand. Our work, our differentiation is execution where we take complete control over the sourcing, the quality, delivery and documentation, which in effect means that we buy materials in our books and we sell it to our customers.
- And we give that kind of working capital support. So basically, we're bridging the gap between the payables and receivables. So that is why for growth, we require working capital. We raised about INR150 crores of equity in the beginning. And then just at March, we had a fund of pre-IPO. But to fund that expansion, we had a few debt facilities, mainly from banks and NCDs to kind of grow from there and also to give some invest in securing capacities to lay a foundation where we could fulfill high demand as we grow.
- So we have extended some strategic deposits to vendors. We have bridged the gap between payables and receivables. And that's why we've been earning more margins as compared to industry standards as well.

- Srinivasan Gopalan:** Also, you must have seen in the RHP that around INR204 crores was raised only to reduce our debt level to bring it to a level. And that gives us a platform where we want to be between 0.5 and 0.7 as Bhavik mentioned.
- Urmish Shah:** Right. So can we assume that as a comfortable base where we will always be operating on 0.5 to 0.7?
- Srinivasan Gopalan:** Yes, that is the endeavor for us that we want to keep it between 0.5 and 0.7. Okay.
- Urmish Shah:** And is it because of the long receivable days that we were into losses for FY 2022-'23? Is that one of the main reasons and now since we have brought that down and we thought the endeavor to bring the networking cycle down so our margins would improve and as you mentioned, 8% to 9% will clock regularly?
- Srinivasan Gopalan:** Yes, I mean, in a way, if you see, we are a four-year-old company and obviously, we are at this stage, I mean, in a kind of inflection point where we are profitable now. Our networking capital is under control and we have used the equity money to reduce debt as well. So I think we are very much poised to take the next leap.
- Urmish Shah:** Sure. And if I just want to understand your process basically, that if I am a large EPC manufacturer, EPC player and I have certain, I mean, I only take materials from certain vendors which I know. So do you really assist in that also because you have a large vendor base? So I just want to understand that if I am a large EPC player and I want materials that I cater to within just some typical vendors, so is that how you operate for that EPC player?
- Management:** Yes, absolutely. I mean, that's one of the ways we generate demand from these large EPC contractors or developers as well. Even if you are dealing with your own vendor base, we could onboard them, we could come in with more vendor options, we could give you a competitive price, we could take away the problem of dealing with all these smaller vendors and could be that single point of contact for multiple materials.
- If you look at us and traditional distributors, they would normally be dealing with maybe one or two material categories at a very small scale, whereas if you look at us with a network of more than maybe 1,700-1,800 vendors with similar capacities and that kind of supply security, we are able to offer much more than any other distributor or vendor in the market.
- Urmish Shah:** And if you could just help me with your segmental margins, I mean from aggregates to maybe sand or soil, if you can just give a number.
- Management:** So I'll help you with blended margins. I gave a breakup between traded and contact manufacturing, but blended margins in aggregates would be about 11% to 12%, maybe going up to 13%. In RMC, it would be somewhere around 10% to 11%. In chemicals, we're clocking about 13% to 14%.

In Blocks, it's somewhere around 8%, 8.5%. Steel usually, Steel and Cement usually at about 3% to 5%. That's the range that we clock at the moment. And other materials where we look to do like bundled items together, normally that category ranges between 8% to 9% or maybe going up to 10% as well. So that's where we are with the key categories I mentioned and then a bracket of other materials.

Urmish Shah: Right. And product mix, if you could just help me with, I mean, aggregate contribution or...

Management: Yes. So aggregates currently, as of March also, and it's pretty much the same mix right now, about 37%, 38% comes from aggregates, about 25%, 26% comes from RMC. Steel, Cement down to about 11%, 12% as mentioned earlier. Blocks and Chemicals would be about 6%. And then there is other materials and services.

Urmish Shah: Right. Okay. And if I may just ask that your revenue contribution from your top 5 or top 10 customers, is that a good metric to look at your company?

Management: Absolutely. I mean, top 20 right now contribute to about 45% as we speak. That may look very concentrated, but this is in fact a proof of how customers love to stick to our platform. We have a high incidence of repeat orders, about 80% of our business has repeat orders. There are a few key large infra contractors and developers who actually depend on us and consider us as a very important supply partner in their own whole execution journey.

And in some of them, we've grown multifold in the last 3 years. So that in fact is a very good point. Apart from that, we also have a very diverse base of long-tail customers, where we look to onboard new and new customers. And that's how we are kind of expanding in different regions as well.

Srinivasan Gopalan: And also important that whenever we supply contractors, the material goes to many projects there. So there is a diversification there as well. So that is very important and unique to our business.

Urmish Shah: Right. And just one last question. In terms of revenue from infra and from maybe like a building project, like a residential commercial, can you differentiate that way? Maybe from roads, highways, you take one portion and maybe from residential commercial buildings, basically, that revenue contribution, bifurcation, can you give? Do you have a ballpark number on that?

Management: Yes, we do have a ballpark number where we kind of differentiate between the infra work or the kind of work that we do. And then in the real estate with respect to contractors or developers, I think it's somewhere around, as of March, it was somewhere around 60 to 40. It's still a very ballpark number, not a very accurate number, but this is our kind of...

Urmish Shah: 60 to infra and 40 to...

Management: Yes.

Urmish Shah: Yes. Okay. Thank you so much and all the best.

Management: Thank you.

Moderator: Thank you. Next question is from Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: So firstly you mentioned about the pre-IPO money and the money raised through the IPO. So what is the total sum that has been raised and the pricing has been same for both the cases?

Management: Yes. So the total value that we've raised is INR580 crores and the pricing for both was same. That is correct. Yes.

Saket Kapoor: INR580 crores in total. That is a gross amount.

Management: Gross amount. That is correct.

Saket Kapoor: And what is the net amount that is flown to the books?

Srinivasan Gopalan: So there was no OFS. Everything was into the company.

Management: Yes. It was all primary.

Srinivasan Gopalan: It was all primary.

Saket Kapoor: No, I'm just netting of the expenses. Net of expenses, how much have been transferred to the company received by the company out of the INR580 crores?

Management: So we are in the process of choosing the two numbers. Right. So once we choose the two numbers, it will reflect in the Q1 report as well, because right now it's a little moving amount. So we have to get the exact number and we'll come back to you on the June quarter.

Saket Kapoor: Sir, when you mentioned about contract manufacturing, can you explain what goes into this contract manufacturing part? Because when we look at your non-current asset under property, plant and equipment, it is barely, I think so, INR2 crores, correct me there. So what exactly is the contract manufacturing and what are these intangible assets under development? Closing balance of INR41 crores?

Management: Yes. So coming to contract manufacturing, basically, these are the third-party manufactured products that we mentioned in our DRHP. This is where we look to form strong, long-term partnerships with certain few manufacturers, where we look to get control over their entire capacity, control their production, control over quality, so as to fulfill the larger demand that we have in specific regions for specific product categories.

So that's what we've been doing in terms of that particular category. The materials that we focus over there, again, Aggregates, RMC and Blocks, these are the group categories that we focus on. Apart from that, intangibles, that's basically the technology under development. Till date, we have, that's the kind of asset value that we build, we've spent on our technology. And it's still under development and that's basically the only thing that is in that particular category.

Saket Kapoor:

When we look at the RMC...

Moderator:

Mr. Kapoor, I'm sorry to interrupt, but may we request you to rejoin the queue as there are several participants waiting for their turn.

Saket Kapoor:

But I have had the in context to what other participants, but anyway, you want me to send back to the queue, no issue. But I have a couple of them and whatever the rule says.

Moderator:

Thank you. The next question is from Mann from Growthsphere Ventures. Please go ahead.

Mann:

Hi, Ronak. Thank you for the follow-up. So just one question. So as we move ahead, I think the major part apart from incremental capex for the existing subsidiaries, there will be a path for going Pan-India and making JVs throughout the India, right? So I just wanted to understand your guidance on how this business will evolve, in what product the JV will be there, the new JVs and in terms of geographical expansion as well for the purpose of that third-party contract manufacturing business? That would be great.

Management:

Yes. So we currently have two very strong JVs, one in Mumbai and one in the South. Going forward, we will look to form strong partnerships that could be either in the form of JV or maybe through just kind of having an exclusive supply arrangement or maybe booking their capacity as a whole.

So it could be in both ways. But what happens with certain joint ventures as we have right now is there is always a potential to increase capacity with the same JV partner in that particular region. So we do not just look to form partnerships, we actually look to grow with them as we move forward because there is always a potential to put up more manufacturing plants on the part of the JV partner and we look to kind of take the responsibility of marketing and distribution for the entire capacity.

Mann:

Got it. And the last question, since there are just two questions that I can ask. So the last question that I want is, as and when the servicing mix of the revenue increases, as I think that was earlier mentioned that it is 7% to 8% of the topline. I wanted to understand since it is more or less a PAT -- 100% PAT margin business.

So how will the net margins evolve from here considering that we will be paying all our debt and there will be incrementally zero interest that we will be paying. So any light on the same will be great for me?

Management: Interesting point actually. In services business, obviously, it is a very high gross margin business. State adds to the EBITDA and the PAT. But more importantly, most of the IPO proceeds, I mean, the debt repayment kind of had an interest liability of about INR25 crores annually, which we feel is going to be taken away.

And that will kind of considerably reduce our interest burden as we move forward on a quarterly basis. So these two things put together plus the kind of supply security that we have in the high margin product category. We feel that the PAT improvement is going to be significantly higher in the next few quarters.

Mann: Got it. Thank you so much. All the best.

Management: Thank you.

Moderator: Thank you. Next question is from Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Good evening, again, sir. Can you come again on the point on finance cost? I missed your finishing comment. As a percentage of sales what should this number look like with the type of additional sales and the profitable segment? What should it be, sir, going ahead?

Management: The interest-to-sales?

Saket Kapoor: Yes, sir. The interest finance cost number.

Management: Yes. I mean, as of March, I think, the number was somewhere in the range of about...

Saket Kapoor: INR41 crores, sir.

Management: Yes.

Saket Kapoor: INR41 crores was the number.

Management: Correct. Yes. So that was about 6% to 7%. But as of now, I think, once we kind of repay the debt, I think the number will come down below about...

Management: Below 1%.

Management: Yes.

Management: Less than 0.5%.

Management: Yes. 2%, I think comfortably as we move forward with some bit of discounting facilities or maybe short-term debt. So that will be below that number. That's how we kind of -- and I mean, that's the number that we anticipate going forward.

Saket Kapoor: It should be 2% of the sales. That is what you are saying for the next financial year?

Management: Less than.

Saket Kapoor: Less than 2%?

Management: Yes. I'm just giving a ballpark number. Yes.

Saket Kapoor: Okay. And on the topline, we are expecting a 40% revenue growth for this year?

Management: That's the kind of growth that we are targeting.

Saket Kapoor: Endeavor.

Management: Yes. That's what we believe. Yes.

Saket Kapoor: Sir, on the credit rating front, what is our -- how -- what is our current debt? How are we rated and which are the rating agencies through which our debts are being rated?

Management: Yes. I mean, we required a three-year balance sheet to kind of get proper ratings from firms. Although we did an initial rating from a firm called Infomerics. We are in the process of actually getting ourselves rated from other firms post the IPO. And that's the kind of process. That's the process, which is on, actually, a rating process.

Saket Kapoor: Right, sir. If I may ask one more question, sir, in terms of the cash conversion cycle, sir, I missed your point again.

Management: Yes.

Saket Kapoor: So when we look at our model and also on the receivables that are lying as a closing balance, that is a total, I think, so correct me there it is INR327 crores on a top line of 767.

Management: Correct.

Saket Kapoor: So what should that number be and how is the cycle going to move post the proceeds that we have already received or will be deployed to lower the debt?

Management: Yes, correct. So I'll just kind of answer that in a slightly different way. Our networking capital, basically, the cash conversion cycle was about 120 days and we've improved that to about 110 days, which means that the active business or the recent business or the business that we're doing is significantly better than what we did before.

And we look to kind of improve over there as we move forward. A more sustainable number that we mentioned earlier is targeting between about, let's say, 80 days, 85 days to 90 days in the next two years to three years, which kind of helps us to unlock more capital to fund the growth.

Saket Kapoor: Okay, sir. So since this is the first call and there are a lot of questions, we can also take it offline with your permission. But when we are -- when the type of work in terms of RMC

and the slabs, which you mentioned that goes into the major trading that is facing the cement industry and then it goes directly to the government facing interface.

So if we take that understanding, the government capex is where our company's growth is aligned to the government capex going ahead. And also, we will also be aligned to the vagaries of the finance and other parts, which other companies, EPC companies face because of their exposure to government. So this understanding, correct?

And is it the state government where we are catering to the EPC player or is it the center, sir? If you could just give color on the same?

Management:

Yes. So we look at this in a slightly different manner. We kind of cater to the contractors directly. We don't actually directly supply to the government in case of maybe infra contractors or developers. So that's how we operate. I don't -- we kind of don't deal with government directly to kind of have any impact on ourselves.

If the cement industry as a macro industry has an impact, that would maybe slightly have an impact on the overall situation. But looking at our model with respect to materials and supply and services business, it usually doesn't -- that's not how we look at our industry.

Saket Kapoor:

But I think, sir, it's a cycle only sir. It's just -- it is a cycle. If the payments are not released from the government front, how will the contractor pay you for the aggregate? That is just a basic understanding of the ecosystem where it operates. So that is correct or how do you insulate yourself from that actually?

Management:

Obviously, that understanding is correct. Usually, it's the state government or the central government and usually these funds are released to these contractors and that's how we get paid. So we are a part of that chain, obviously. That's how we get our payments. Yes, I mean, that understanding I would say is correct and there are times when the cash flows are a little tight and usually we have experienced a little bit of pressure on our working capital as well. That's how this industry operates as a whole.

But yes, we have been kind of selecting our projects, our customers in terms of maybe the infra work and the real estate work very closely and that's basically our job. That's basically the challenge that we've converted into our mote and that's how we kind of look to do in the future as well.

Moderator:

Thank you very much. We'll take that as the last question. I would now like to hand the conference back to Mr. Srinivas Gopalan, Chief Executive Officer for closing comments.

Srinivasan Gopalan:

Thank you once again for joining us on our first earnings call as a listed company. We remain focused on building a disciplined and strong foundation for long-term growth and are excited about the opportunities ahead. We appreciate your trust and support and we look forward to keeping the conversation going in the quarters to come. Please feel free to reach out to Adfactors IR team for any further queries. Thank you and have a great evening.

Moderator:

Thank you very much. On behalf of ArisInfra Solutions Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.