



# NCC

Ref. No.: NCCL/ Regulation 30&46/2019  
Date : 16-11-2019

**The Secretary**  
**National Stock Exchange of India Ltd**  
5<sup>th</sup> Floor, Exchange Plaza  
Bandra – Kurla Complex  
Bandra (E)  
**MUMBAI - 500 051.**

**The Secretary**  
**BSE Limited,**  
Rotunda Building, P J Towers  
Dalal Street, Fort  
**MUMBAI – 400 001.**

Dear Sir(s),

**Scrip Code : NSE: NCC & BSE : 500294**

**Sub: Submission of Transcript of the conference call under Regulation 30&46 of SEBI (LODR), 2015**

Please find enclosed herewith the transcript of the earnings conference call that took place on 5<sup>th</sup> November, 2019 discussing about the performance & Financial Results of Q2 of the F.Y.2019-20. Kindly take the above information on record.

Thanking you,

Yours faithfully

**For NCC LIMITED.**

*16-11-2019*  
**M V Srinivasa Murthy**  
**Company Secretary & EVP (Legal)**  
Encl : As above

**NCC Limited**

(Formerly Nagarjuna Construction Company Limited)

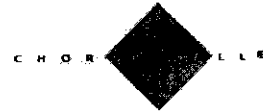
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**“NCC Limited Q2 FY20 Earnings Conference Call”**

**November 05, 2019**



**MANAGEMENT:** MR. R. S. RAJU – ASSOCIATE DIRECTOR, FINANCE & ACCOUNTS, NCC LIMITED  
MR. KRISHNA RAO – EXECUTIVE VICE PRESIDENT, INTERNAL AUDIT, NCC LIMITED  
MR. Y. D. MURTHY – EXECUTIVE VICE PRESIDENT, FINANCE, NCC LIMITED  
MR. K. DURGA PRASAD – JOINT GENERAL MANAGER, FINANCE, NCC LIMITED  
MR. P. SURENDER RAO – CHIEF MANAGER, FINANCE, NCC LIMITED

**MODERATOR:** MR. JITEN RUSHI – BOB CAPITAL MARKETS LIMITED

- Moderator:** Ladies and gentlemen, good day and welcome to NCC Limited Q2 FY20 Earnings Conference Call hosted by BOB Capital Markets Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jiten Rushi from BOB Capital Markets. Thank you, and over to you, sir.
- Jiten Rushi:** Thanks, Neerav. Good evening ladies and gentlemen. On behalf of Bank of Baroda Capital Markets, I welcome everyone to the Q2 FY20 earnings call of NCC Limited. We thank the management for giving us this opportunity. Today from the management, we have with us Sri. R. S. Raju – Associate Director, Finance & Accounts; Sri. Y. D. Murthy – Executive Vice President, Finance; Sri. S. V. N. Bhanoji Rao – Vice President, Finance; Sri. K. Durga Prasad – Joint General Manager, Finance; Sri. P. Surender Rao – Chief Manager, Finance of the company.
- Y D Murthy:** One correction Jiten, Mr. Bhanoji Rao is not there today. We have Mr. Krishna Rao, he is our Senior Executive Vice President, Internal Audit.
- Jiten Rushi:** Now, we can start our opening remarks followed by Q&A. Thank you sir.
- Y D Murthy:** Thank you, Jiten Rushi and thank you all the participants. Our board has met and declared the second quarter results which are already hosted on the website of the stock exchanges. I will now give you a brief presentation about our second quarter results and also the performance of the company for the first half of the current financial year, after that we can go ahead with the question-answer sessions. I request Mr. R. S. Raju to give his opening remarks.
- R. S. Raju:** Good evening to all of you. So about the company's performance for the second quarter, first I start from the order book.
- So in the second quarter, the company has secured orders worth of Rs 1518 crores and apart from these orders, company also secured orders in October 2019 of about Rs 973 crores. So first 7 months period of FY20, the company has secured orders worth Rs 3,127 crores. With respect to segment wise order book as on 30<sup>th</sup> September 2019, just I would read out only the closing balances. Buildings division Rs 15,243 crore; roads division Rs 8,143 crore; water environment and railways Rs 4,097 crore; electrical Rs 1,495 crore; irrigation Rs 1527 crore; mining Rs 2118 crore; international Rs 273 crore; others Rs 277 crore; totaling to Rs 33,173 crore..

So in AP, already you are aware about the orders cancellation. We already given information about likely cancellation of orders of Rs 6,100 crore and as on date orders worth Rs 6076 crore cancelled. There is no further clarification or communication from the AP government on the balance orders. As on date, we are executing only part of the orders and not started balance orders as government has not paid the bills and not yet given the clearance on such orders.

Y D Murthy:

One small clarification here. We started the year with an order book of Rs 41,197crore and based on the order issued by the Chief Secretary, government of Andhra Pradesh, about Rs 6,100 crore of orders pertaining to our company were likely to be cancelled and so we have proactively removed orders worth Rs 6076 crore from the order book and effectively started the year with an order book of Rs 35,121 crores.

R. S. Raju:

So, now I move to the operating performance of the company on standalone basis. So in the second quarter, on standalone basis reported a turnover including other income of Rs 1,802 crores as against Rs. 3,138 crores reported in the corresponding quarter of the previous year. So there is a decline compared to the corresponding quarter of the previous year.

The reasons for such a decline in the turnover are; the primary reason here is all of you know that AP projects and in second quarter, we expected at least some clarification from Government of AP but nothing has come which resulted in NIL turnover from AP Projects. And the second reason is the extended rains, almost all the division and all the projects got effected because of the extended rains not in one state but across various states. . In water division, the nonpayment in Telangana state apart from the AP and also some delay in getting the letter of award where they were L1, d which they were considering in their projections. In electrical division, client had requested us to resurvey the projects, to change the scope and to change the method of execution. , Here we have lost some time. These are the primary reasons which affected the second quarter revenues.

So coming to the margins:

As far as margins are concerned in the second quarter, the gross margins increased over the normal margins by about 5%. The reasons for increase in gross margins in the EPC business, the gross margins always subject to nature of the projects and also the extra claims and differences with the clients. As and when the differences and extra claims are settled, then in that quarter, in that year generally the margins increase. So here extra claims amounts in 3 projects in Mumbai region got settled in the second quarter which helped to report higher gross margins.

And in the second quarter or in the first 6 months of FY20, the road division, earlier insignificant, but in the current year, because we are executing a big order of Rs 2,850 crore contributed significantly., Generally in road division, the gross profit margin, EBITDA margins are relatively high. So this division helped to increase in the gross margin. Similarly, the mining division where we are executing a large work order, which resulted in reporting relatively

higher gross margin compared to other divisions.. So these are the three fundamental reasons which helped to increase in the gross margins from the normal level of 17% or 18%.

EBITDA in second quarter:

The company reported an EBITDA of 13.5% as against 11.80% % in the corresponding quarter of the previous year, about 1.7% increase in EBITDA. The reasons I explained above for the gross profit margins increase, holds good for the increase in the EBITDA too.

Net profit:

Second quarter reported a net profit of Rs 80 crores which includes other non operating income. So other income, we have reported about Rs 70 crores. Rs 70 crores represents a profit on sale of land of about Rs 44.25 crores and balance 26 crores is the normal routine income which represents again mainly interest receipts from group companies and on the margin deposits with the banks. So in the second quarter, as far as expenses are concerned, they are under control except the interest cost which was increased to Rs 130.75 crores from the Rs 108 crores of the corresponding quarter of the previous year. The quantum of loans are higher compared to the previous quarter. And average interest cost, in fact there is no increase in average interest cost. It already has come down to 9.9%. BG and LC cost relatively now higher than the previous year which also to certain extent responsible for the increase in the overall finance cost.

Now coming to the operating results on consolidated basis:

Reported a turnover of Rs 1,998 crores as against Rs 3,262 crores reported in the corresponding quarter of the previous year and reported a net profit of Rs 78.78 crores as against profit of Rs 122.55 crores in the corresponding quarter of the previous year. So here also in the revenue and profit, there is no big difference between standalone and consolidated since the group companies reports very insignificant turnovers and there are no significant losses reported by the group companies. All group companies put together reported a loss of some Rs 1.52 crores. So thereby the net profit stands at Rs 78.78 crores as against Rs 80 crores reported by the standalone. So the gross profit margins also stand at 22.8% as against 18.4% reported in the corresponding quarter of the last year. So the reasons I explained for the increase in the standalone margins are the same reasons here also contributed for the increase in the gross margin. EBITDA on a consolidated basis reported for second quarter 13.3% as against 12.4% in the corresponding quarter of the previous year.

Consolidated net profit:

Company s reported a net profit of Rs 78.8 crores 4.1% as against 3.8% of the corresponding quarter of the previous year. For 6 months period on a consolidated basis, reported a turnover of Rs 4,370 crores as against Rs 5,793 crores and reported net profit of Rs 157 crores as against profit of Rs 225 crores Compared to the balance sheet items, , the debt in fact has come down

by Rs 112 crores in second quarter on standalone basis from Rs 2,400 crores to Rs 2,288 crores. In the second quarter, there is a dividend payment of Rs 110 crores including dividend tax. So, despite the dividend payment and also despite the pending collections from AP state, the debt has come down because of good collections in other states.

On the CAPEX:

So in the first 6 months, the company spent Rs 82 crores on CAPEX. There is no increase in the plant and machinery, property, as whatever depreciation reported, at the same level CAPEX has been incurred, thereby there is no significant change in the balance sheet items of property, plant and equipment. As far as cash flows are concerned in the second quarter on a standalone basis, there is a cash generated from operations by about Rs 210 crores and cash generated from investing activities by about Rs 65 crores due to land sale and also the asset sale of Tellapur. These are the primary reasons for cash generation from investing activities. And the cash used in financing activity is about Rs 337 crores. So in this Rs 112 crores, we have used for repayment of the loan from 40 to 50 crores we have used for interest payment and Rs 110 crores we have used for the dividend payment. These are the primary reasons for usage of the resource in financing activities.

As far as working capital is concerned, there is no increase in working capital. In fact, decline has happened in working capital by about Rs 48 crores in second quarter to Rs 3,928 crores. But the working capital days have increased from previous level of 158 to 175 days. This is because of the low topline.

So comes to the trade receivables, so there is an improvement in trade receivables in this quarter. Earlier, it stands at Rs 3,155 crores, now has come down to Rs 3,012 crores in the second quarter. So there is a decline by about roughly Rs 150 crores. The debt collection period however stands at 141 days as against 95 days as of 31<sup>st</sup> March 2019. So the reason for increased debt collection period is primarily due to decline in the topline. So these are the remarks on our operations of the second quarter. So, we will answer if any specific questions or clarifications you require on any of the topics related to the second quarter results.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session.

**Y D Murthy:**

One small clarification here. I request all the participants not to ask more than two questions per participant and also, we want to close maximum of 25 participants participating in question-answer session because of the paucity of time. Kindly keep this in mind and honor our request.

**Moderator:**

The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:**

Sir, firstly on the EBITDA margin. As you mentioned there was some claim that for Mumbai, so what was the amount that we have booked in this quarter?

- R. S. Raju:** There are three projects where we have the extra claims pending with the client. Now the projects are almost 90-95% completed. Final bills were certified. So along with final bills, the claims whatever we have lodged, were also certified. About 31 crores from 3 projects from Mumbai region relating to Nagpur flyover and Pune Metro, flyover. From these works, these claim amounts have come.
- Shravan Shah:** So, if this would have not been there, then the EBITDA from 233 crores would have been 203 crores?
- R. S. Raju:** Yes, you are right.
- Shravan Shah:** And secondly sir, then if that is the case, then why we are reducing for the full year EBITDA margin. Last time, we guided from 11.7% to 12% and now we have said 11.2% to 11.5%. So is it also linked to definitely the revenue needed, to ask the questions that whatever we are seeing 9,500 to 10,000 crores revenue for the full year, so close to 5,600 to 6,000 crores revenue in the second half. First of all, are we able to achieve that revenue and are we seeing any pressure in terms of the margin in the second half?
- R. S. Raju:** As far as gross margins are concerned, whatever gross margin we reported earlier, whatever we given explaining to those kind of gross margins, at this moment we are confident to achieve. And what the gross margin now we are explaining related to some projects. The same thing may not happen, that depends upon project to project. So in the construction business, always 2%-3% would be there and these margins sometimes depend upon outcome on certification, on admission of the claims. So, for the second half year, the EBITDA margin whatever we given, that margin will be achieved and it is subject to again the topline. The same topline if they achieve in the second quarter, the same level of EBITDA margins remained in. As far as gross margins are concerned, whatever we given guidance, those gross margins we are confident to achieve.
- Shravan Shah:** And sir lastly on the inflow. These 7 months, definitely the inflows are much lower, and we are confident to achieve a 14,000-14,500 crores. Just if you can help us in terms of from where, which segments or from which state or central government agencies, are we looking to get that kind of significant orders?
- R. S. Raju:** See, overall we were a bit unsuccessful in these CIDCO projects last time when they announced, but now further bidding is expected in the state of Maharashtra where we are looking at a positive inflow of orders and also we are looking at the bullet trains, though it is delayed ones again, I think the tendering is postponed to January 2020, but there is a good possibility there also we can get some orders and because we are a major construction company with having strong presence in the buildings division, on all India basis we are participating in various building activities across the states and a good traction is available and we expect to get some orders in the buildings division also. And likewise, we are already doing the MSRDC road project about Rs 2850 crores and similar orders we are looking at participating. We were unsuccessful in

Bundelkhand in UP and also Gorakhpur link expressway, but we do participate, and all these things put together give us the confidence that we will be able to achieve the guidance for FY20. FY19, we achieved about Rs 25,000 crores of order accretion in that year, but for FY20, we brought it down to 14,000, no doubt the order accretion was very sluggish in the first quarter mainly because of election and second quarter because of rains, but now pickup we are seeing and also NHAI is also planning to award substantial cash contracts in the second half and we will definitely participate in those orders.

**Shravan Shah:** And lastly if I may be permitted, what kind of debt level we are looking at by end of FY20?

**R. S. Raju:** Basing on the present scenario, we are hoping a further reduction in the debt from the current level of Rs 2,200 crores to Rs 1,900 or Rs 1,800 crores.

**Y D Murthy:** Like last year.

**Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Sir, two questions. Firstly, execution has been rather low in the HI and has the work started moving on the pending GoAP orders especially TIDCO orders and how confident are you for meeting the guidance of 95 to 100% revenue given that we already in November, do you think any risk to this revenue guidance?

**Y D Murthy:** First of all, AP, we are having about Rs 4,350 crores of orders in affordable housing and about Rs 6,600 crores of orders in the capital city and about Rs 1,100 crores of orders other than these two that is ADB funded and AMRUT projects. The ADB and AMRUT projects are going on as per schedule. Payments are also being received. As far as affordable housing is concerned, the government has called all the contractors for discussion. There are three contractors involved in this that is L&T, Shapoorji and NCC who had detailed discussions with the government. They appear to be very keen on taking this projects forward. We also wanted them to give an assurance in terms of paying our outstanding bills fast and also give an assurance in terms of when the work is completed and bill is certified, the payment should come within the stipulated timeframe. Now, we are awaiting a clearance in the government of AP that has not yet come. So we are also carefully examining. As far as the capital city is concerned, they are focusing on the core capital city particularly underground drainage, radial roads and outer ring road and also some building projects for MLA quarters, IAS officer quarters etc. where we are executing many of them. They are also likely to start, but at this point in time we cannot tell at what point in time they are likely to start. As far as the guidance of revenue of Rs 10,000 crore is concerned, as you know for the first 6 months, we have done about Rs 4000 crore of topline. So, in the remaining 6 months, we have to do Rs 6,000 crores that means around Rs 1,000 crore a month that should not be a major problem for us which we have delivered earlier also. In fact, in a quarter we have done as much as Rs 3200 crores last year and we are confident that Rs 6000 crore can be easily achieved mainly because we are doing some marquee projects like the Lucknow airport project, Patna airport



project, All India Institute of Medical Sciences at three locations and also one Defence housing project that is Seabird, Karwar in Karnataka and then MSRDC road project where a bonus clause is there. Client has issued financial closure; payment cycle is good. Now, the rains are behind us and for speedy execution, we are fully geared for that. All these things, measures put together, we have the confidence that in the remaining 6 months of the current year, we will be able to achieve Rs 6000 crores of topline.

**Mohit Kumar:** My second question is on the tax rates. Have you opted for lower tax regime going forward of 25%-22% and how much implied taxes on the sale of land in this quarter?

**R. S. Raju:** As far as the lower tax rate is concerned, we have examined and evaluated the process. What happened here NCC claiming certain exemptions and deductions. So when we are claiming certain deductions, then, when we choose lower rate, we should stop claiming the exemptions. So what kind of exemptions we are claiming, what is the amount of benefit through those exemptions, all that we have evaluated. So now we have about Rs 140 crores MAT credit available as per the IT returns submitted including the IT return for the year 18-19. So to avail Rs 140 crores MAT credit, we should continue in the old rate. So, we have evaluated basing on the evaluation and also basing on the expected outcome on the assessment orders allowing whatever we are claiming. Section 80-IB exemptions are there for the affordable housing where we are constructing some affordable housing projects. So basing on that, we at this moment intended to continue in the old rate for a while, it is probably 1 year. So thereby now for the second quarter, we worked out basing on the existing rate. So we again revisit this subject in the yearly closing in the month of April-May. At that time, some more clarity will come and some assessments, orders we expect in the December 19. So at that time, again we will revisit and again we will conclude whether going for the new rate or continuing the old rate for the year 19-20.

**Mohit Kumar:** How much tax paid on the sale of land in this quarter?

**R. S. Raju:** Tax, we have not paid. We are claiming some deduction on that transactions.

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

**Parikshit Kandpal:** Sir, in AP we have started seeing some movement, the Polavaram project has started now through the reverse bidding mechanism. So just wanted your views on our order book of 12,000 crores. How much protected we are with regards to the reverse bidding?

**Y D Murthy:** As I said, as far as the affordable housing is concerned, they called us for discussion and the government is also apparently is keen on starting the affordable housing projects mainly because the YSR Congress government election manifesto talks about housing for the urban poor as one of the manifesto promises and so there is some likelihood of an improvement coming there, but then would not know for sure whether affordable housing can also be subjected to reverse

bidding, like they have done in Polavaram. We are also waiting and watching the situation. As far as the capital city is concerned, the core capital city some works have commenced. They told us, the MLA quarters and IAS officer quarter works have commenced and is likely to continue. Other projects in AP, still there is no clarity.

**Parikshit Kandpal:** So on what quantum of the order book still the clarity is not there, I mean, leaving aside this affordable housing and the MLA quarters and IAS buildings?

**Y D Murthy:** See, in AP, minus the ADB project and AMRUT project is about Rs 11,000 crores of order book is there, comprising of affordable housing about Rs 4,300 crores and balance Rs 6,600 at capital city. So this Rs 11,000 crores as of today there is no clarity. We are also carefully observing the situation.

**Parikshit Kandpal:** So just on the Sembcorp, so now at what state of arbitration we are, I think you were expecting resolution somewhere around this time, September or October. So what is the status of that?

**Y D Murthy:** Which arbitration are you talking about?

**Parikshit Kandpal:** Sembcorp.

**Y D Murthy:** See, both the arbitrators approached the High Court and because of the voluminous documentation they wanted extension of time by about 6 months which is apparently granted to them. So the arbitration processes will be concluded by March 2020 and thereafter the arbitration award is likely to be delivered.

**Parikshit Kandpal:** Just lastly on this quarter, how much was the contribution from the Mumbai-Nagpur expressway to the revenues, this Rs 2800 crores of...?

**R. S. Raju:** About 170 crores is the topline revenue.

**Parikshit Kandpal:** Okay. Sir, first quarter we have received 38 crores from NCC urban and full year we were targeting close to 100 crores. So we are on target, how much we have received for 2Q?

**R. S. Raju:** In Q2, we have not received any significant amount. We have received the interest amount. In October month again, we received 10 crores. So about totally 100 crores we are confident to get from them. And what happened, NCC urban they cleared in the first 6 months majority of their additional debt. Now they are becoming free from the additional debt. So now from here onwards, from their internal cash flows, they want to clear the NCC loan. So they are planning at least minimum of Rs 100 crores to pay by March.

**Parikshit Kandpal:** They have paid already 38 plus 10 you said, so 40?

**R. S. Raju:** Yes. their other plan is sale of the land pockets. If any land pocket sale has happened, then entire amount as targeted or as explained, could be cleared.

- Parikshit Kandpal:** This Tellapur land was not part of their land parcel, right, which was sold?
- Y D Murthy:** That was not. See, they had lands in Kakinada which they wanted to sell and there was a good interest also from ONGC. But for a variety of reasons, because of this RERA and all, earlier with demonetization, there is slowdown in the real estate sector. So actually ONGC backed out. But there is a possibility they may come back once again and that is a good deal if it happens, they are like to get at least about Rs 140 crores or so and out of that, they can repay the loans for the parent companies. But now keeping that aside, based on the internal cash accruals, sale of their apartments and other project assets, they are likely to repay about Rs 100 crores to us by March 2020.
- Moderator:** Thank you. The next question is from the line of Nisarg Vakharia from Lucky Investment Managers. Please go ahead.
- Nisarg Vakharia:** Sir, is it possible for you to quantify as to how much revenue we would have lost due to the irrational rainfall that we have experienced this year in this quarter?
- R. S. Raju:** Roughly about Rs 250 crores to Rs 300 crores to effect on the progress would be there, all projects, very difficult to quantify.
- Y D Murthy:** See, in the first quarter we have done Rs 2200 crores. In the normal course based on the order book and our execution capabilities, we were expecting second quarter also we would do a similar number, Rs 2200 crore or so. But that does not happen mainly because of excess rainfall and stoppage of construction activity across the country.
- Moderator:** Thank you very much. The next question is from the line of Ashish Shah from Centrum Broking Limited. Please go ahead.
- Ashish Shah:** Sir, on the margin guidance, I mean I understand that the EBITDA margin will depend on the turnover that we actually do in the second half, but what will be the gross margin guidance, for let us say Q3 and Q4 that one should be looking at because your mix has changed because of which this quarter you also got some benefit of margin.
- R. S. Raju:** Gross margin stay about 17% to 18%.
- Ashish Shah:** Okay. So for the second half turnover, we should build a 17%-18% kind of a gross margin. Secondly on the impairment that we have done during the quarter, on what account is that?
- R. S. Raju:** NCC IHL's Pondicherry- Tindivanam Tollway Limited is a loss-making company. So, based on reassessment and also based on compliance as per the accounting standard loan to the PTT by NCCIHL, they made a provision.. Similar provision we made in the standalone books of accounts.

- R S Raju:** In the books of NCC, for the impairment in the value for the investment to the extent of Rs 16.5 crores.
- Ashish Shah:** And so that is entirely done now, or something still remains?
- R. S. Raju:** Total loan is over in that account.
- Ashish Shah:** Okay. So whatever was on account of Pondicherry...
- R S Raju:** Yes, it is done.
- Ashish Shah:** Sir, lastly on the funding limits that we have. So obviously it has been a concern that it is difficult to get the limits enhanced. So where do we stand on that, what are the current limits that we have in terms of funded and non-funded and whether they have already been enhanced now?
- Y D Murthy:** You see, there is what is called the assessment of the working capital limits, appraisal is done by the leader and based on that, we will file our applications with the consortium members, they process. Everything will go to the respective boards for sanction and all that. We are looking to enhance the BG limits by about Rs 4000 crores and LC limits by about Rs 300 crores and fund based limits by about Rs 142 crores. Already about Rs 1000 crores of BG and LC limits have been tied up and they have been released to us also. The balance are in various stages. We are looking at the participating consortium banks to enhance their shares of the enhancement and also we are looking at new banks to participate, to bring them into the consortium, particularly banks like Bank of Baroda, Bank of India, Indian Bank, Exim Bank, Bank of Maharashtra who are not part of the consortium, who have already submitted the applications. In some cases, we already got the NBG clearance also and most likely in the next 2 to 3 months, some of these banks will come on board and help us to tie up the balance funding requirements. And as far as the fund based limits are concerned, we are not having much difficulty and in fact our requirement also projected to increase by only Rs 142 crores, from Rs 2058 crore to Rs 2200 crores. Out of that, already about Rs 30 crores-Rs 40 crores has been tied up and disbursed to us. So that is not an issue. So what is the critical for us at this point in time is the bank guarantee limits. So we are focusing on that and talking to various banks, not only the existing banks but also the new banks. And now we have substantial limits of bank guarantee, say about Rs 9000 crores are there. And also, we are looking at very careful utilization, return of bank guarantees, cancellation of bank guarantees etc. There is good improvement in that area also. So we are confident for our business requirements because of our longstanding association, many banks in the consortium we are dealing with them for the past 25 to 30 years. They supported as well and so would have grown to this level, that support is going to continue for us and definitely the required financial assistance for the banking system is going to be available to us.
- Ashish Shah:** So sir, once the limits are enhanced, we will be at about Rs 12,000 crores of BG limits, is that?
- Y D Murthy:** Yes.

- Moderator:** Thank you very much. The next question is from the line of Jiten Rushi from BOB Capital Markets. Please go ahead.
- Jiten Rushi:** Sir, I have a few book-keeping questions. So I wanted to understand the retentions and withheld the unbilled revenues, the mobilization advance as on date and what are the receivables stuck in AP as on date sir?
- R. S. Raju:** The receivables stuck at AP as on date is of about Rs 800 crores. And we have mobilization advance from those projects about to Rs 500 crores. If you net it off, it comes to the net exposure or receivables is about Rs 300 crores. And you are asking what are the kind of figures for the receivables retention money?
- Jiten Rushi:** Yes sir, retentions and mobilization advance, total retention, total mobilization and unbilled revenue total, on standalone basis sir?
- R S Raju:** Outstanding is Rs 2,277.8 crores at the end of the second quarter.
- Jiten Rushi:** Sir, these are the retention?
- R S Raju:** Retention money Rs 2277.8 crores, mobilization advance is Rs 1671.4 crores, cash and bank balance is 158.5 crores.
- Jiten Rushi:** Unbilled revenue sir?
- R S Raju:** Rs 1700 crores, approximately.
- Jiten Rushi:** And sir what is our total exposure in terms of investments and loans and advances to subsidiaries and associates? Can you give the breakup please?
- R S Raju:** Yes. At the end of the second quarter, investment in subsidiaries and associates and JVs is Rs 914.9 crores and loans and advances, both long term and short term put together is Rs 537.6 crores. Hence our exposure to the group companies that is investment plus loans is 1452.5 crores.
- Moderator:** Thank you very much. Next question is from the line of Ankita Shah from Elara. Please go ahead.
- Ankita Shah:** Sir just wanted to understand the status on that MMRC project where there was a stay order for Rs 972 crores and ...
- Y D Murthy:** Actually, the Supreme Court stay does not pertain to the location where the Metro Bhavan project is coming up which is awarded to us and only the other things, the car shed and other things in that Aarey Milk Colony where tree cutting is happening. So we got the clear picture and in fact we are going ahead with providing the performance guarantees etc. and yet other approvals also and stopped the work. So we don't see any problem there.

- Ankita Shah:** Okay. So other than that AP Rs 1100 crores of projects where there is no clarity, all other projects are progressing well?
- Y D Murthy:** Yes. Progressing well and as I mentioned many of them are marquee projects and the execution is happening at a faster clip, payment is not a problem. All are central government agencies and payment cycle is also good. One defence project is there. There also, payment difficulties are not there. Other than AP, rest of the country the things are looking good for us.
- Ankita Shah:** And have we received the bank guarantees given for the projects which were cancelled?
- Y D Murthy:** Yes, we got it. But unfortunately the performance guarantee is only 2.5%. So for Rs 6000 crores, we got back only Rs 150 crores of bank guarantees, but nevertheless they have come back and they are available for future projects.
- Ankita Shah:** Okay. And just to understand the change in the revenue mix, can you please help me with the revenue breakdown, segment wise?
- Y D Murthy:** It is more or less the same mainly because buildings and housing constitute a predominant portion of our business. We will give the details of the execution region wise.
- R. S. Raju:** for the 6 months period, Building division reported about Rs 1766 crore , 43%; roads Rs 506 crore, 12%; water environment Rs 898 crores, 22%; electrical Rs 469 crore, 11%; irrigation Rs 141 crore, 3%; mining Rs 146 crore, 4%; international Rs 154 crore, 4% and others Rs 22 crores, 1%. The revenue mix what I explained is for 6 months period.
- Moderator:** Thank you very much. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Sir just two questions again from my side. Sir, one is on the order inflow front, sir what we have seen through the year is that, as you mentioned that we missed out on the SIDCO orders in Maharashtra and also in Gorakhpur Express project and the Bundelkhand one. In Bundelkhand, if I remember correctly, out of 6 packages we had bid only for one package and in other projects also sir, I think it is not that the other players have bided very aggressively, the difference between L1 and L2 has not been that great. So any specific reasons that we have missed out in getting those projects in terms of our margin expectations being much higher than the others or we not being present in the area is something which has led to other getting those projects vis-à-vis we getting those projects?
- Y D Murthy:** As far as CIDCO is concerned, there are 4 packages and there are 5 bidders including NCC and in this case, all the bids have gone to local players, the Bombay based like L&T, Shapoorji, Kapacity and BG Shirke. We are unsuccessful. And also, I would like to mention to you we never bid for projects aggressively because we want to protect our margins. Profit margins are very important for us and that has been the DNA of this company. We do not bid aggressively,

but definitely we will get our orders with our margins. We are having already a comfortable order book also and also you should keep in mind with these kind of mindset in FY18, we got Rs 25,000 crores of fresh orders, in FY19 we got another Rs 25,000 crores of fresh orders. So we are not much worried about order accretion. It is definitely going to pick up in the second half.

**Vibhor Singhal:**

Sure sir. But I think the concern that comes in is that the Rs 25,000 crores of order inflow that we got in FY18 and 19, I know they were spread across the country, but a large part of those orders did come from our home state which is AP, most of those orders today, we do not have a visibility on getting cancelled. So will we be able to fill the void that AP orders are not there in this year or maybe the next year or we will not be as much as we basically they were in the last 2 years? The concern is that will we be able to fill that gap which has come up because of the non-existing or slowing down of orders in AP?

**Y D Murthy:**

If you look at it, we started the year with an order book of Rs 41,197 crores. Rs 6076 in AP is cancelled, that means Rs 35,121 crores. Now Rs 12,000 crore in AP is not moving that leaves us with an order book of 23,000 crores in the rest of the country and many of these are very marquee orders and where execution is going on. Based on this order book, we are confident about Rs 10,000 crores of topline we will achieve in FY20. Now coming to order accretion in the current year, I agree because of election in the first quarter, the tendering process itself got disrupted and some orders were given in the second quarter, but we were not very lucky though we got Metro Bhavan and similar orders. But going forward, order accretion is about to be increasing. It should not be a problem.

**Vibhor Singhal:**

Sir lastly, what was the cash inflow from the land sale that we did in this quarter on which we booked at Rs 44.25 crores of profit on sale of asset. So what was the cash inflow that we got from that sale?

**R. S. Raju:**

The entire amount was received. Out of which, Rs 33 crores we received by 30<sup>th</sup> September of 19 and balance we received in the October 19.

**Vibhor Singhal:**

So Rs 33 crores in Q2 and balance in October.

**R. S. Raju:**

October, yes.

**Moderator:**

Thank you very much. Ladies and gentlemen, due to time constraints, that will be the last question for today. I will now hand the conference over to the management for closing comments.

**Y D Murthy:**

We thank all the participants for their enthusiastic participation. We tried our best to answer your questions. If anybody is not able to ask his questions because of the paucity of time, you are welcome to call us and ask your questions or send us an e-mail. I hope our e-mail ids are there



*NCC Limited*  
*November 05, 2019*

with all the participants. I once again thank the BOB Securities for hosting the conference and giving an opportunity to the company to talk to the shareholders. Thank you all.

**R. S. Raju:**

Thank you all.

**Moderator:**

Thank you very much. On behalf of BOB Capital Markets Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.