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National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra – Kurla Complex, Bandra (E)
MUMBAI - 400 051.

Symbol: NCC

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street, Fort
MUMBAI – 400 001.

Code : 500294

Dear Sir(s),

Sub: Submission of transcript of the conference call under Regulation 30 of SEBI (LODR), 2015

Please find enclosed herewith the transcript of the earnings conference call that took place on 28th May 2021 with analysts discussing about the Performance & Financial Results of the Q4 and of the F.Y. 2020-21.

Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.

M V SRINIVASA MURTHY
MURTHY

Digitally signed by M
V SRINIVASA MURTHY
Date: 2021.06.03
11:39:06 +05'30'

M V Srinivasa Murthy
Company Secretary & EVP (Legal)

Encl: As above



NCC Limited

(Formerly Nagarjuna Construction Company Limited)

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“NCC Limited Q4 FY’21 Earnings Conference Call”

May 28, 2021



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

MODERATOR: **MR. MOHIT KUMAR – DAM CAPITAL ADVISORS
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the NCC Limited Q4 FY'21 Earnings Call hosted by DAM Capital Advisors 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 to Mr. Mohit Kumar from DAM Capital Advisors Limited. Thank you and over to you, sir.

Mohit Kumar: Thank you. On behalf of DAM Capital, I welcome you all to the Q4 FY'21 Earnings Conference Call of NCC Limited. Today, we have with us from the management side, Mr. R S Raju – Associate Director; Mr. Y.D. Murthy – Executive Vice President (Finance); Mr. K. Krishna Rao – Executive Vice President (Finance & Accounts) and Mr. K. Durga Prasad – Joint General Manager (Finance).

Without much ado, I will hand over the floor to the management for their opening remarks which will be followed by Q&A. Over to you, sir.

Y.D. Murthy: Okay, thank you, Mohit. I am Y.D. Murthy, Executive Vice President. I will initially make some opening remarks and after that I will hand over to Mr. R.S. Raju for the 4th quarter numbers.

At the macro level if you have seen, FY'21 was a very tough year for all corporates and also for all economies, many economies have shrunk in FY'21 including Indian economy. Indian economy is expected to shrink by about 7.5% to 8%. The 4th quarter GDP numbers are yet to come in. So, we do not know the exact number. But definitely there is a negative growth for the economy as far as FY'21 is concerned.

Now, NCC, we are a part of the economy and also we have registered a negative growth as compared to last year, that is FY'20; our negative growth is about 8% to 9%. So, we are in line with the GDP growth of the economy and so that is understandable as compared to FY'20 we have reported a top line of only Rs.7,300 crores, that is point #1.

As far as the macro environment is concerned, again, we are having a difficulty in terms of COVID-2 already spreading its wings all across and again a lot of difficulties are there, a lot of lockdowns are there, state governments are imposing a lot of restrictions, etc., that is bound to impact the performance of construction companies and also even other companies as far as the first quarter of FY'22 is concerned. We are also not very clear how it is going to pan out though we are having a strong order book of Rs.38,000 crores.

So, one point that I want to bring here is the issue was discussed with our top management and because of this certain times we are not able to provide any guidance in terms of FY'22 turnovers and order book, etc., What we felt is let the first quarter be over and once the things start stabilizing, perhaps when we declare the first quarter results, we can provide a guidance

for the rest of the current financial year. This is one aspect that I wanted to bring to you upfront. We are sorry, we are not able to provide any guidance for FY'22 but having an order book of Rs.38,000 crores, I am personally confident that FY'22 should be better than FY'21.

And also, there is one difference between FY'21 and FY'22 mainly because in the first quarter of FY'21 in the month of April 2020 when the lockdown was imposed by the central government across the country, even the highways were blocked, so the supply chain was broken, so raw material supply at the project sites was a problem.

And also because of the lockdown that clients have asked the construction companies to stop the work at the project site. And when the client is asking as a contractor, even if I have the raw materials, even if I have the land power, I will not be able to go ahead with execution of the project. That was April 2020. Whereas in the current situation, the problem is not there, nobody is asking us to stop the work, though there are restricted availability of manpower exercise, but the work is going on because the highways are open, raw material supply getting in place and also the supply chain is more or less stable, even workers availability is also more or less alright, except some stray cases where some COVID-19 impact is there at some project sites. So, we are confident that FY'22 should be far better than last year.

And also, I would like to bring to your notice that the measures that the government has taken as a measure of relief to construction companies, for example, last year, Reserve Bank has mandated all the banks in the country to provide COVID-19 loans up to 10% of the fund-based limits of the companies and that too at MCLR rates, that means without any mark-up. So, we have got a very concessional rate of interest and our company was able to take yearly Rs.150 crores of loans from our consortium banks as mandated by Reserve Bank and that helped us to maintain our liquidity. But as far as this year is concerned, Reserve Bank has taken up the issue, but they have given some relief announced only to the MSME sector, i.e., small scale industries having loans of below Rs.25 crores per borrower. But as far as corporates are concerned, they have not given any relief in the current year.

The other important aspect is the finance minister has directed all government agencies to see that the performance guarantee can be pro-rated to the progress of the work at the project site. If the project has completed 50% execution, the value of the performance guarantee outstanding can come down by 50%. That was a major relief to the number of construction companies including our company and particularly we are able to reduce the requirement of performance guarantee by about Rs.690 crores during the last one year till March 2021.

One more positive measure by the finance ministry is the performance guarantee value. Usually the client specifies performance guarantee at 10%, some clients specify 5% but finance ministry directed all government agencies to bring down the value of performance guarantee to 3%. That is also a big relief. Likewise, no need to provide a bid bond till December 2021 based on a certification, based on the financial health of the contractor who is

bidding the project, he is permitted to bid for the project. That is also a big relief in terms of availability of bank guarantee.

One more measure they have done is mainly because now if you see banks are also under a lot of stress, they are not able to provide the necessary fund-based and non-fund-based limits to construction companies and the government is planning a huge infrastructure spending and a lot of tenders are being floated. Biggest component that is in shortfall at this point in time for all construction companies including our company is availability of bank guarantee.

So, to mitigate this problem, they have requested (IRDA) Insurance Regulatory and Development Authority to look into this aspect and see whether insurance companies can provide surety bonds and guarantee, that is an international practice, they want to bring it to the Indian context also which means the construction companies have the opportunity to procure bid bonds and guarantee. So, IRDA has formed expert committee to look into the matter and expert committee has already given their recommendation that recommending that insurance companies can also participate in providing surety bonds to contractors. So, that also as and when is implemented, is bound to give some relief to companies like us.

So, these are the macro environment that I am talking about. Definitely, the order books are going to improve nicely in FY'22. The government is bent upon kick starting the economy and the best way to kick start the economy is to take up as much as construction and infra projects. You must be aware they are talking about the (NIP) National Infrastructure Pipeline about Rs.110 lakh crores to be implemented over a period of five years. And so a lot of projects are likely to be awarded to centralized frontline companies like us.

We are also looking at positively on two, three aspects: One is affordable housing projects which is implemented across all the states. We have done some affordable housing projects in the State of Andhra Pradesh earlier. In other states also we participate as and when tenders are called for. Likewise, the other project is Jal Jeevan Mission, that is again the central government project where 50% of the project cost is provided by the central government by way of subsidy and the balance 50% will be taken up by the state government. In Jal Jeevan Mission, all the state governments are looking at providing portable drinking water to all the villages and all the towns and also the last mile connectivity in every household in every village. That is a big project. Earlier, this was done in the state of Telangana by way of Mission Bhagiratha. We have got some nearly Rs.4,000 crores of orders and we were able to implement it successfully and recently we bagged the orders of about Rs.6,200 crores in the State of Uttar Pradesh under Mission Jal Jeevan.

So, these are the two verticals where we have got very good expertise implementation and going forward as and when tenders are called for, we will definitely be able to participate and see that we get our share of the orders.

Likewise, road sector is also doing well. We have got Expressway, we have ADB and Nagpur-Mumbai Expressway, it is a big order of Rs.2,850 crores where the client has achieved the financial closure and payment cycle is quite robust and execution is also going nicely despite COVID-19. There is a bonus clause. We are targeting that bonus clause as well. So, likewise, going forward, enough orders and enough business is going to be available for companies like us and we are fully geared to get to the higher growth as we go forward. So, these are my opening remarks. I request my colleague, Mr. R.S. Raju to talk about the company's performance in the fourth quarter and also the year as a whole and later on we can take up the question-and-answer session. Thank you.

R S Raju:

Thank you, Mr. Y.D. Murthy. Good evening to all of you. I am R.S. Raju, Associate Director, Finance and Accounts. Just I will simply touch some of the operational level area, how the numbers for the current quarter as well as for the year. So, first I start from the order book. So, already my colleague explained about various orders secured by the company at different places, which orders are important orders, how they are working on. As far as numbers are concerned, you know that we have an opening order book of Rs.26,570 crores at the beginning of the year and in the current year the company secured Rs.18,943 crores. So, we can say that in '19-20, though it is a pandemic affected year, still it is a good year for the company for the good number of orders secured by the company. As a result, the company now has Rs.37,911 crores as of 31st March 2021 which give a good stand for the year '21-22. Already he has explained that for the year '21-22 because of the strong order book, we are confident to have some good growth over the previous year number.

So, as far as the turnover is concerned, in the fourth quarter, the company reported on standalone basis of Rs.2,639 crores against Rs.2,206 crores resulting a 20% growth. Similarly, if you compare with the immediate previous quarter, it was Rs.2,638 crores with Rs.1,943 crores, there is a 36% growth. It shows that there is a growth in the turnover from Q2 to Q3, from Q3 to Q4. So, similarly since the company secured good orders, the growth the company is expected in the quarters of the current year of '21-22.

If you come to the 12-months period of the current year, the turnover reported is Rs.7,371 crores against Rs.8,370 crores, a decline of 12%, year-on-year, there is a decline, but quarter-on-quarter there is increase in the turnover.

On company consolidated financial, a similar number reported was Rs.2,817 crores against Rs.2,334 crores, a 21% growth in the fourth quarter. For the 12-months period it was reported Rs.7,949 crores against Rs.8,901 crores, a decline of 11%. If you compare immediate previous quarter, a similar growth of 32% is there. And the company has reported another income of Rs.115 crores as against Rs.113 crores of the previous year.

If we come to the margin, since it is a COVID-19 year, so all of you know that there is a tremendous pressure on work front because of resources constraint and particularly the workmen constraint, as a result, first of all the top line is affected and the productivity is

affected, as a result, the gross profit margins also got affected here. So, the gross profit margin reported for the fourth quarter is 16.17% versus 20.16%. And gross profit for the 12-months period reported is 19.06% versus 20.98%, almost a 2% dip in the gross profit margin.

The reasons for the dip in the gross profit margin for the year as a whole and for the quarter generally are due to the COVID, approximately 0.75% GPM level affected. And due to steep increase in inputs like steel, aluminum, petroleum and other products, particularly in the third quarter, about 0.5% was affected in the gross profit margin and due to some AP projects you know that we have certain projects and that capital city projects are not in good movement, as a result, as per the reassessment, recognition of the value of the work done, the unbilled revenue, all these things, they have again revisited and basing on the dialogue, deliberations going on with the department. And as a result, certain impact is also there at the margins. Overall margin in almost in all the divisions got affected except roads and some mining division.

EBITDA margins also affected but not that much, EBITDA margin for the quarter is 11.07% versus 12.86% and EBITDA margin for the 12-months period is 11.78% versus 12.53%, a decline by 0.77%. The reasons whatever I explained for the quarter is the same reason for the year, but there is improvement in other expenses because of some control measures taken by the management and considering particularly this COVID-19 pandemic. The net profit margins for the Q4 reported is 4.4% versus 5% of the last year. Similarly, if you see the quarter-on-quarter, there is an increase in net profit margin of 3.6% to 4.4%. For the 12-months period, the net profit reported is 3.54% as against 4.56%, almost 1% decline in the net profit level. This decline is the reason because of purely the COVID-19 impact which impacted the top line which impacted further on to the margins. The EPS for the fourth quarter is 1.89 and for the 12-months period is 4.28.

As far as other expenses are concerned, salary cost, interest cost and administrative cost, depreciation cost, there is a significant reduction happened and the control measures were taken by the management which yielded the result, as a result the company is able to manage the margins to the extent in the pandemic period. The interest cost reported for the fourth quarter is Rs.117.71 crores as against Rs.119.51 crores for the corresponding quarter. And there is a significant reduction in the salary cost for the year as a whole; come down to Rs.349 crores from Rs.435 crores, about Rs.85 crores decline happened on a year basis. Similarly, administrative cost has come down from Rs.258 crores to Rs.179 crores and interest cost has come down from Rs.518 crores to Rs.458 crores, also a significant decline by about Rs.60 crores. And depreciation also a little decline has happened. So, all these things resulted into a PBT of Rs.338 crores, in terms of percentage was 4.59. After making provision, the net profit reported for the year as a whole is Rs.261 crores. So, in the current year, now the company opted to change into the new income tax rate which is 25.17% for the company, earlier it was almost 35%. Now the company considering the various deductions and MAT credit and deferred tax asset, all these things now opted seeing the benefits of changing into the new rate, accordingly, in the fourth quarter (Inaudible) 22:17-22:20 changes into the new rate, there is

not much significant impact on the profit and loss account for the fourth quarter, there is a benefit of Rs.6 crores, for the year as a whole, there is a negative by Rs.1,005 crores, very marginal impacts are there by changing owing to the new income tax rate.

For the year as a whole, the interest rate because of the COVID-19 and also because of the rigorous steps taken by our finance department for the reduction from the various banks, so there is a significant reduction happened in the rate of interest and also there is a reduction happened in the amount of debt for the company which resulted ultimately a reduction in the average cost to the capital from 9.84% to 9.22%, almost 12.6% decline we have seen in this year.

As far as group companies are concerned, the Q4 all the companies put together reported a turnover of Rs.78 crores and a profit of Rs.6 crores. For the 12-months period, all the companies reported Rs.243 crores, a profit of Rs.15.50 crores. Generally, the some of the group companies reported insignificant profits but some companies reported the losses, as a result, all the group companies together up to last year seen the losses in negative figures, but gradually last year also some improvement has happened in reduction of the losses, but current year almost have come to the plus side, so profit side it has come. Going forward, the group companies also will report the profits and as a result in a consolidated level, whatever profit reported by the standalone companies will not be impacted by the losses of the group companies report and further value addition we expect from the group companies.

If we come to the debt position, for the current year, there is a reduction in the debt at standalone level of about Rs.120 crores, as a result, the net debt stands in the books of accounts as of 31st March '21 is Rs.1,789 crores. For the consolidated level also, there is a significant reduction happening in the debt year-on-year. Now the consolidated debt stands at Rs.2,181 crores. In some companies, debt has come down and in one company debt has increased, that is NCC Urban company. So, overall, Rs.120 crores decline has happened with all companies together. About the various numbers which reflect in the balance sheet, particularly the working capital and the trade receivables.

Because of COVID-19, for collections some impact is there, but not that much significant impact and the collections are good and more than what we expected, as a result the debt has not increased, debt has come down and the liquidity of the company is good, and the operations are not affected because of any liquidity problems throughout the year.

There is some increase happened in the mobilization advance from that of the previous year because the company secured good number of orders. In the current year also, the company expect a significant amount towards mobilization advance, as a result, the company is not expecting any liquidity problems and debt is also not expecting to increase though volume increase in the current, as a result some margin levels also improvement will happen for the company.

These are some of the highlights of the company. If any balance information or if you throw questions, we will provide to you.

- Y.D. Murthy:** Our colleagues, Mr. Krishna Rao and Mr. Durga Prasad will take up the questions.
- Moderator:** Thank you very much. We will now begin the question-and-answer session. The next question is from the line of Varun Gupta from Augmenta Research. Please go ahead.
- Varun Gupta:** I have two questions. In terms of execution in the months of April and May, are you able to keep up to your expectations and if it is possible could you quantify? Second question is I wanted to know of the current order book like what percentage of the current order book aspects on track, what percentage includes the price escalation in case of movement in commodity prices?
- R S Raju:** For April and May, at this moment, quantification we cannot say but in terms of percentage, yes, there is a 10% or below that much impact over our planned turnover. So, April, some good amount of work done but May some impact is there. Some projects are going to 100% some projects are 90%, some projects are 80%, like that are there. So, that is the way, but the work is not as affected in the previous year. As far as escalation is concerned, we have roughly about 65-70% of the projects covered by the escalation.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** I understand that we refrain from giving any guidance, but just trying to understand in terms of the April, May overall, what kind of workforce on an average is available and in terms of how much impact it is there on the revenue and at the same time the increase in the steel and cement prices, do we see a decline in the EBITDA margin in the first quarter because last time we were talking about Rs.10,000-plus crores kind of revenue should be there, so some idea in terms of the guidance both on the top line and margin would help sir?
- R S Raju:** Guidance now we are working out at this moment considering the present level. It is very difficult to assess and tell the number. The management is in the process and after carrying out the detail explanations, we will come out with the guidance for the year as a whole once the COVID-19 situation come to one level. So, as far as operations are concerned, you can guess that we have the good order book, number one. Number two is you have seen that how the company grown in the last three quarters. The last quarter of the year we reported Rs.2,600 crores, a 30% growth. So, that is the kind of things going on at the projects. So, as a result, certainly though not Rs.2,600 crores, at least Rs.2,100, Rs.2,200 crores, that much level of things should be there, like that we are expecting. But we cannot precisely tell the number. So, that is the level one can assess also.

- Shravan Shah:** So, previously we were talking about 12% EBITDA margin should be there. So, let us say this quarter....
- R S Raju:** If we take the normal condition, EBITDA margin of around 11.5% would be there. But what is the kind of impact the COVID-19 has, you have to see further. If it does not impact significantly, then the level of margin should be there.
- Shravan Shah:** Lastly, some numbers how much is mobilization advance, retention money and the group exposure companies number? And also the bare minimum CAPEX number that we are planning to do in this FY'22 as we are not giving a guidance?
- R S Raju:** CAPEX around Rs.200 crores we are planning for the kind of orders what we have. And then mobilization advance we have about Rs.1,400 crores roughly is there as on date. We expect further increase on the mobilization advance. Retention money has come down from the previous year level to this year, about Rs.2,100 crores now, earlier was Rs.2,300, Rs.200 crores has come down because of the collections from the old projects where we completed, number one. Other one is loans and investments to the group companies, there is a significant decline happened; about Rs.280 crores or so decline happened, out of which NCC Urban is the major one and there are some small companies of Rs.20 crores and another company of Rs.5 crores like that, but there is overall Rs.280 crores decline happened in the loans. As far as the investments are concerned, we have converted one loan of Rs.120 crores of NCC Urban into the investment. Increase happened in the investment and decline happened in the loans. Apart from that in the investments, there is a decline of about Rs.10 crores happened. Net-net Rs.110 crores increase happened in the investments. And a decline of Rs.280 crores happened in the loans. So, overall if you combine both investments and the loans, there is a decline of Rs.170 crores in the group exposure.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** My first question is on the real estate monetization. Last quarter we were planning to divest some large land parcels and realized some Rs.300, 400 crores from that. Any update on the transactions now?
- R S Raju:** So, that is NCC Vizag Urban. Prospective buyers already approached, the discussions are over, draft agreements were also prepared and some of the permissions which are required to take from the government were all taken and final approval is pending with the government. The moment the final approval comes, the rest of the process signing the agreement, payment of the advance, all these things take place. Because of COVID-19, both at government level and other level also, this transaction also got impacted. And we expect this transaction to take place in the coming months.
- Parikshit Kandpal:** Before September this should happen?

- R S Raju:** Signing of the agreement will happen, some part of the amount will come if the situation at least come to the normal.
- Parikshit Kandpal:** If you can help us reconcile the APDC, from the start of the year, what is total outstanding now, net exposure and we can break it up into standard exposure and the one where the projects are stuck up and canceled, so if you can bifurcate into two parts?
- R S Raju:** One is running projects and other one is halt projects in the capital city, we have five to six projects are there. In the capital city projects, the amount held up is about Rs.181 crores and the retention money are Rs.73 crores, about Rs.255 crores are held up. In the running projects, we have about Rs.210 crores is the retention money and the total net receivables are Rs.391 crores and Rs.181 crores in capital city, total Rs.572.98 crores are receivables and unbilled revenue excluding the retention money. As far as the working capital is concerned, beginning of the year it was Rs.847 crores, has come down to now Rs.714 crores. In the current year, Rs.133 crores collections had happened.
- Parikshit Kandpal:** So, as of now the net exposure is Rs.714 crores you are saying?
- R S Raju:** Out of Rs.714 crores, Rs.593 crores relate to the running projects. Only about Rs.223 crores are the capital city projects. Running project we have to leave out. Running project work is going on, month-on-month the payments we are getting. This Rs.223 crores where the projects halted and this is the new government decision about descopeing the projects are continuing because some of the projects like that the disturbance are going on and the department asking us to carry but we asked them at least if you release some payment, then only we start like this, the discussions are going on, on this capital city projects.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Sir, the first question is on the key projects that will drive the execution in FY'22. So, in FY'21 we know that Mumbai-Nagpur was one of the biggest projects driving the execution. So, what are the three, four projects that you think will derive FY'22 execution and what is the status there especially AIIMS, NBCC Karwar, water projects in UP?
- R S Raju:** The top three, four projects if we take, one is the road project still is there in the top, significant turnover to complete in the Maharashtra, Nagpur-Mumbai Road. The second one is Karwar. That is a big project. And one more big project also is received in the same premises. So, from the two projects, in the last year most of the ground works are done and the work has come and has reached above the ground level, work is now going well from that also, we expect good turnover. Similarly, three to four AIIMS, Bilaspur projects are there and particularly the big project we received for AIIMS, one in Jammu & Kashmir area, that is also another big project. Another big project of Rs.833 crores is a coal mining project what we received in Nagpur, that is going also without any much impact of the COVID-19 as of this moment, I can say there is

not any significant except 5-6%. So, like that some three, four projects but the projects are going on. Some insignificant effect is there at this moment, not a major impact.

Ashish Shah:

Sir, outside of AP, are there any slow moving projects in our order book right now?

R S Raju:

No big projects in halt level, only one project is there, we have removed that one, but MSRDC work, some Mumbai one project we received it, Rs.800 crores value, that is not in the order book now. Nau roji Nagar Trade Centre project earlier it was halted, now it is showing good progress.

Ashish Shah:

You said about 65%, 70% of the projects are covered by escalation. Remaining around 30%, which segment of the order book would that be where we do not have escalation?

R S Raju:

Generally, wherever small projects with life span of less than two years, where the escalation would not be there.

Ashish Shah:

So, this is irrespective of the segment?

R S Raju:

Yes, yes, irrespective of the segment.

Moderator:

Thank you. The next question is from the line of Meet Vora from DAM Capital. Please go ahead.

Meet Vora:

My question was towards the EBITDA margin. So, for this quarter we have seen EBITDA margin has come down YoY as well as QoQ. And on the expenses side, the reason being as I understand is firstly the contracting expenses and secondly the construction expenses. So, how do we look at it going forward in terms of the subcontracting expenses, why it has increased? And I believe that construction expenses would have been increased by inflationary pressure. So, how are we looking at it going forward?

R S Raju:

You know that how the first quarter, second quarter was impacted because of COVID-19, so that impact has declined the EBITDA margins. As far as expenses are concerned, the salaries, administrative expenses come under control. Once the volume picked up, the possibility of EBITDA margin rises from the present fourth quarter level to go up. So, we have the good order book, and we have the good resources, we have the good team. The EBITDA margins is not a big one at this moment because the way the company is doing the work at different places, particularly the big projects. Going forward, if the COVID-19 subsides, then there would not be further reduction in the EBITDA margins, there may be a possibility of rise in margin.

Meet Vora:

Regarding subcontracting expenses which is there, it has increased 54% YoY....

R S Raju:

Subcontracting expenses, it is a mix of the projects. Where you see the subcontracting expenses increase mean, the material cost come down, other machinery cost will come down.

It is a mix of the total direct cost. So, it is a mix we cannot compare quarter-on-quarter, month-on-month, even project-by-project. What kind of mix is happening? When subcontract projects are more in a particular or so, the subcontract expenses are more, like that it would be there. So, we cannot precisely tell how the next quarter subcontract expenses, but as a whole the gross profit margin which represent your direct cost... direct cost represents your material cost, subcontractor cost, labor cost, transport cost, machinery cost. So, these elements depend upon what segment. If you take the water division, the nature of expenses is different, if you take the nature of expenses are different, if you take the mining project, nature of expenses is different, so like that expenses are different, but all put together you have to compare.

- Meet Vora:** What happened to the Mumbai Metro order where we are L1, so have we recognized it?
- R S Raju:** What exactly you are asking is this is Navi Mumbai Municipal Corporation Vashi Flyover. It is a flyover work. We became L1. Waiting for the letter of acceptance.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** What is the gross standalone debt number at the end of this year? And by the end of FY'22, do we expect it to increase or decrease?
- R S Raju:** We expect the debt of Rs.1,789 crores to come down by another Rs.100, 200 crores, but it depends upon several things, but basis on our internal assessment, there would be decline in the debt.
- Vibhor Singhal:** That will be driven by mainly if we are able to monetize the NCC Urban or buyback and maybe some more payments from AP, right?
- R S Raju:** Yes, -yes, depending upon the kind of monetization of group companies amounts happen, like Vizag Urban is there. If it happens, it helps us to reduce my debt, group exposure also will come down. Similarly, NCC Urban also is planning to give Rs.100 crores. If their plans succeed, then these things will happen. But in general basing on the plan, there would be a decline in the debt from the current level to the end of the current year.
- Vibhor Singhal:** My second question is on the UP projects, Jal Jeevan Mission that we are for. If you can just give some color about have we started work on them and how is the work progressing with the COVID situation, what is the duration of the project, etc.,?
- R S Raju:** Survey is going on and for some of the project's survey is completed. And for major of the projects, the draft feasibility report is under preparation. Once the feasibility report, estimations, and other things over, then only they give the approval to start the work, so those paperwork is going on at this moment.

- Vibhor Singhal:** So, when can we expect to start executing on these projects?
- R S Raju:** In another two, three months we expect the physical work will happen. Number of projects, number of players would be there, gradually it goes. Physical work we expect to start in another two, three months' time. And again we have to see how the COVID-19 is impacting at what level, how the things. Some profile we cannot share at this moment.
- Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir, could you throw some light on the increased working capital cycle for us particularly the receivables as well as the inventory, I understand AP exposure is there in receivables but even excluding the held up money in the capital city projects, is existing ongoing projects receivables kind of gone up, the reason why it has gone up and where do you see it going forward?
- R S Raju:** Now basis on the discussions have taken place and the government considering the budget position because COVID-19 also there, they promised earlier to pay some of the amounts because due to COVID-19 the funds gone to some other priorities but now in the immediate future we expect about Rs.120 crores payment from the government relating to the AP projects. As far as capital city projects are concern , now, there is a momentum from the governmental departments to complete some of the projects where 80%, 85% were completed earlier and to take up some of the road projects which are minimum important, so those projects they want to carry by descoping the existing projects for which about I believe that Rs.3,000 the government to sanction to the department and they are now tie-ing up Rs.3,000 crores and the government also facilitated by giving the land to this AP department to use as a security for the borrowings or some part is use for sale and use that amount to complete these projects, like that directions have happened. Now, they have to mobilize the fund and pay the amount. They asked us to carry but we asked to at least release some payment. We will start the work like that the deliberations are going on, so which shows that some position sign for the movement of the works about the capital city projects where some Rs.250 crores is held up. But rest of the projects like Rs.500 crores one, they are ongoing project and there also for some projects slow momentum is there, but not in the coming year there is more than what given in the last year will happen and basing on the budget allocated for 100-150 projects, it is in process, we expect the payment anytime within a month. Thereby some good outlook would be there in the year '21-22 on the AP projects.
- Ankita Shah:** Also, if you can tell what kind of a reduction in loans and advances and reduction in investments are we looking for in FY'22? Lastly, if you can give the breakup of order book in terms of segment?

- R S Raju:** As far as exposure is concerned to the group companies, plans are there and roughly all companies together about Rs.200-300 crores inflow would happen from the group companies in the year '21-22.
- K. Krishna Rao:** Building division opening order book is Rs.13,241 crores which is 50% and closing order stands at Rs.21,157 crores, that is 56%, Roads is Rs.2,644 crores, that is 10%, closing book stands at Rs.1,954 crores, that is 5%, Water division opening order book is Rs.4,660 crores, 18%, closing order book stands at Rs.7,078 crores, that is 19%, Electrical division stands at 6% opening as well closing but opening order book was Rs.1,711 crores, closing was Rs.2,438 crores, Irrigation opening is Rs.2,054 crores, stands at 8%, closing order book stands at Rs.2,442 crores, that is 6%, Mining stands at 7% opening as well closing; opening was Rs.1,912 crores, closing is Rs.2,592 crores, others stands at 1%, that is around Rs.250 crores, closing order book is Rs.37,911 crores.
- Ankita Shah:** Also if you could provide geography wise?
- R S Raju:** I will tell you in terms of percentage of the state wise order book as on date; Uttar Pradesh, we have 25%, Andhra Pradesh 11%, Karnataka 10%, Maharashtra 10%, Telangana 7%, Jharkhand 6%, Bihar 6%, Jammu & Kashmir 2.85%, New Delhi 2.81%, Tamil Nadu 3.54%, Odisha 3.4%, Assam 1.83% like that about 1-1.5% rest of the states like Madhya Pradesh, Assam, Haryana, Sri Lanka, West Bengal, Punjab, Gujarat.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar Kazi from Edelweiss Securities. Please go ahead.
- Parvez A Kazi:** A couple of questions from my side. First, if you could give us the total execution figure in Q4 FY'21 including any work that we would have done in the international?
- R S Raju:** No, in the standalone results, the international numbers are not there. We are not doing international, international works were completed and we have taken a decision to close the Dubai and Oman business, as a result, almost 100% were over, only rest 10%-13% would be there. So, from the current year onwards, there would not be any turnover business from the international companies. Only we have two very, very small orders; Sri Lanka about Rs.200, 300 crores.
- Parvez A Kazi:** If you could update us on the status of the Sembcorp and Taqa?
- R S Raju:** The hearings are not yet over in Sembcorp because of COVID-19, the other end insisting for the personal hearings rather than virtual hearings, as a result they are planning for personal hearings, but in the meantime the second wave has further impacted meeting personally for completing these hearings. Now, they are again postponing the hearings. And according to the present situation about November '21 or so, the final award is expected time or internally expected time. Regarding Taqa also, the same line, and management like to have some

settlement with Taqa but once the COVID-19 give some relief and once again they will try to have some amicable to all these things.

Moderator: Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Sir, just wanted to know what is our total pending order book in Andhra Pradesh, if you can give us some details of that and how much order is stuck in the capital city which is currently not moving as such?

R S Raju: Now, in the AP order book, the old orders what we received earlier there was about Rs.2,903 crores in which the capital projects whatever are there, we removed from the order book, at this moment, zero are there. If at all they ask again, whatever value they give, again we will come back to you. About new orders which they floated last year, some two, three orders we received about Rs.1,200 crores. So, after adding Rs.1,200 orders new orders, that is running projects, so the total order book now of AP is Rs.4,171 crores, but all are categorized under running projects, not on the capital city, not on the APGENCO.

Amber Singhania: There is no stuck project in the order book today?

R S Raju: In the order book, we have removed.

Amber Singhania: What is the status of this resolution with the authorities there, where do we stand in terms of first, receiving our pending due and second, these projects may see a light of restarting?

R S Raju: Running projects are going on basing on the budget availability, they are asking us to the extent of the progress. About capital city projects, the movement now has come, that is I already explained about five, 10 minutes back, how the future is happening and what is the outlook of the capital city project, I have explained for the earlier questions which they made, whether you were available at that time or not, this answer is over.

Moderator: Thank you. The next question is from the line of Vinod Modi from Reliance Securities. Please go ahead.

Vinod Modi: Just two small questions. You said Rs.1,400 crores are the mobilization advances. Can you guide me what is the quantum of interest bearing amount out of Rs.1,400 crores?

R S Raju: 84% represent the interest bearing, 16% is the interest-free advances.

Vinod Modi: On absolute sequential basis, if I look at there has been a jump of almost Rs.11 crores in interest cost. So, just wanted to understand is there any sort of one-off in terms of incremental finance charges that we have incurred in this Q4?

Y.D. Murthy: I will give you the bifurcation of the finance cost for the fourth quarter. Interest on term loans is about Rs.8.6 crores, interest on cash credits and WCDL is Rs.38.28 crores, interest on mobilization advances is Rs.30.08 crores, interest on other loans about Rs.5.29 crores, that is total Rs.82.25 crores interest cost is concerned. Now, BG commission is Rs.28.92 crores, LC commission is Rs.4.65 crores and other bank charges like processing charges, upfront fees, etc., is Rs.1.89 crores. So, the total finance cost for the fourth quarter is Rs.117.71 crores. And the finance cost is less by about Rs.2 crores as compared to the fourth quarter of the previous year. If you look at the annual number, there is a substantial decrease in the finance cost. Last year that is FY'20 the total finance cost is Rs.517.87 crores, whereas in current year that is FY'21 it is Rs.457.78 crores. We were able to achieve substantial improvement in pricing mainly based on our rating, mainly based on our contract of accounts, the consortium banks have brought down the interest rates in line with the policy rate reduction given by the Reserve Bank of India. That has helped us to save finance cost substantially in the current year.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: As per the earlier speaker's question, in absolute terms there has been good savings in the finance cost. So, sir, going forward on the entire turnover what percentage are we envisaging that finance cost will be attributable for the next financial year, any ballpark we have worked out?

Y.D. Murthy: We have 4.5% of the turnover of the company.

Saket Kapoor: What was the figure for this year?

Y.D. Murthy: More or less similar. Further reduction maybe possible based on three, four factors; one is if any policy rate reduction is there, that could be passed on to by our consortium banks, another thing is we are also looking at a possible rating upgrade. If that happens again, the finance cost can come down. We already represented with a number of banks in the consortium for reduction in the BG commission and LC commission, some degree of reduction we have already achieved, some more banks are also likely to fall in line and reduce the BG commission. So, we are confident the finance cost should be in the range of 4.5-5% of the turnover in FY'22.

Saket Kapoor: What is the blended cost of funds for this year?

Y.D. Murthy: I am talking about the interest cost. Again, that depends on utilization and also we have got facility of sweeping with the three banks, that is SBI, Canara Bank and ICICI Bank where the current account balances are swept into the main CC account on a daily basis and that will reduce the outstanding debt at the end of the day approximately about Rs.100 crores is coming to the CC accounts of all the three banks put together on a daily basis. So, we are able to substantially reduce the interest burden there. And also, because we have a comfortable

liquidity position, in some banks where the interest rate is high, we are not utilizing those limits. So, the blended cost of borrowing, as far as the interest cost is concerned, we are talking of the cash credit and working capital loans they have given, WCL loans they call it, it should be around 8.80% to 9%.

Saket Kapoor: On the geographical mix of the order booking, it is largely skewed towards the Uttar Pradesh sir. Uttar Pradesh will be in the assembly election next year. So, are we envisaging an increase in the execution cycle going forward?

Y.D. Murthy: Order book in UP has gone up to 25% of the total order book mainly because of a big order of Rs.6,200 crores we have received in the month of December pertaining to Jal Jeevan project of that particular state. I do not think it is skewed. In fact, earlier, we had order stake in Andhra Pradesh, before that we had a large exposure in Telangana. So, it keeps on varying from state-to-state depending upon the opportunities. Now, a large project in Maharashtra also, mainly because of the Nagpur-Mumbai Expressway that we are doing and also some metro projects we are doing in Pune and some projects in Nagpur and some projects in Mumbai. So, we are a company with all India exposure; we operate in almost 27, 28 states of the country. Wherever opportunities are there, we have got a decentralized structure of bidding for projects, we are able to bag those projects. So, I do not think it is skewed. In fact, company has got a robust risk mitigation policy and we are seeing that exposure for state will not increase a certain level.

Saket Kapoor: And the payment cycle and for this Rs.6,000 crores big Jal Jeevan order which we have got, by when are we going to execute this project and is COVID being a hindrance to the execution?

Y.D. Murthy: No, that is yet to be assessed, in fact, the project execution has not started, we have to make a survey district wise and then submit our project report to the state government agency. After they approve it we start the work and that will be done over a period of 18-months. And then after approval, the project will be completed over a period of 30-months. We are aware UP government is going for election next year. Earlier also similar projects were executed in Telangana. We do not think there is going to be any difficulty in terms of providing funds for execution of these projects.

Saket Kapoor: Will you be giving the margin ballpark post the first quarter number? In the earlier commentary you were not able to allude to the turnover and the margin guidance. So, post Q1 can we see any bit of lag effect in execution because of the COVID factor or is it different than what it was in the first wave?

Y.D. Murthy: COVID impact was there in the first quarter of last year also and COVID impact is there in the first quarter of this year also. Only difference being in the month of April last year they have completely locked down everything including the highways and also there is a direction by the clients to the construction companies to stop work at project sites because all commercial activity was brought to a standstill in the month of April last year. But similar thing is not there this year, work is continuing, nobody told us to stop the work. The supply chain is also intact

because highways are not closed and workers are also available at the project site barring a few cases of the COVID-19 impact at the project site, I do not think the disruption in the current year will be as severe as last year. So, we are confident in FY'22 first quarter, again one more month is yet to be completed in the first quarter, we are very confident that first quarter FY'22 will be better than first quarter numbers of FY'21.

- Saket Kapoor:** What we executed in the March quarter that pace will be slower?
- Y.D. Murthy:** That is agreed, obviously.
- Moderator:** Thank you. The next question is from the line of Anand Shankar, an individual investor. Please go ahead.
- Anand Shankar:** In the last financial year, we had order inflow of about Rs.19,000 crores roughly. So, I just want to check if you can give us a guidance on the order inflow for the current financial year as well?
- Y.D. Murthy:** Yeah, this was discussed by the top management and because of this pandemic COVID-2 currently raging across the country, we have decided not to give any guidance as far as top line is concerned and as far as order book is concerned, but we will review it by the end of the first quarter and accordingly come back to you with our guidance.
- Moderator:** Thank you. Sir, this was the last question. I would now like to hand the conference over to the management for closing comments.
- Y.D. Murthy:** I thank all the participants for their enthusiastic participation and also thank DAM Capital and Mohit Kumar and his team for hosting this conference. And if any of the participants who are not able to ask their questions, they can send us e-mail or they can call us either me or my colleague, Mr. Durga Prasad, and we will be glad to answer your questions. So, with this thing, I thank everyone, including my colleagues who participated in this conference call and thank you very much.
- R S Raju:** Thank you, all.
- Moderator:** Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.