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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

The Corporate Relationship Dept.
BSE Limited,
Phiroze Jeejeebhoy Towers
Dalal Street,
Fort
M U M B A I – 400 001.
Code: 500294

Dear Sir(s),

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 February 11, 2021 with analysts discussing about the performance & Financial Results of Q3 of the F.Y.2020-21. Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.

18-02-2021
M V Srinivasa Murthy
Company Secretary & EVP (Legal)
Encl : As above

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(Formerly Nagarjuna Construction Company Limited)

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“NCC Limited
Q3 FY2021 Earnings Conference Call”

February 11, 2021



**ANALYST: MR. PARVEZ AKHTAR QAZI - EDELWEISS
SECURITIES LIMITED**

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



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Moderator: Ladies and gentlemen. Good day and welcome to NCC Q3 FY2021 Earnings Conference Call hosted by Edelweiss Securities 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 this 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. Parvez Akhtar Qazi from Edelweiss Securities. Thank you and over to you, Sir!

Parvez Akhtar Qazi: Good afternoon friends, on behalf of Edelweiss Securities, I welcome you all to the Q3 FY2021 conference call of NCC Limited. Today we have with us from the management side Mr. R.S. Raju – Associate Director – Finance & Accounts; 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. Over to you Sir!

Y. D. Murthy: Good afternoon all the participants, I am Y.D. Murthy - Executive Vice President – Finance from NCC. Today in the afternoon our board has declared the third quarter results. The results are already displayed with the stock exchange etc.

As we have with us our Associate Director – Mr. R. S. Raju, then we have Mr. Krishna Rao – Executive Vice President – Finance and he is also CFO of the company and also Mr. Durga Prasad – Joint General Manager – Finance.

Initially, I will give you a few opening remarks about the macro environment and what is happening according to our understanding in the infrastructure and construction space after that Mr. R.S. Raju will give the comments on the third quarter results.

The union budget presented on February 1, 2021 was a path breaking budget with tremendous focus on infrastructure development and also lot of physical infrastructure development across the country as you all must have seen, and it is understandable because the government of the day is aware that the economy has slowed down and urgently we have to fix the economy and to do that, the best way for the government of the day is to start the physical infrastructure, which they have done rightly and there were a number of positives as far as the infrastructure and construction space is concerned. They have speeded up the national infrastructure pipeline in terms of execution.

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Also they are focusing a lot on affordable housing under the Prime Minister, Awas Yojana, Housing For All. Affordable housing is going to be a major opportunity for all construction companies in India. Likewise they are planning this Jal Jeevan, Mission that is supply of potable drinking water for all the households in the country that is for all the towns and villages and also the last mile connectivity for supply of potable drinking water to every household in every village; that is a very big scheme of the government. A lot of funding has been allocated in the Union budget and also visible signs of development are coming forward.

Likewise in roads also lot of opportunities are opening up - National Highway Authority of India has already tendered 7200 kilometers of roads for development in the first nine months. Some are hybrid annuity projects and majority of them are cash contracts and also further impetus is likely to happen. Likewise the metro projects also, metro rails in major cities are going to come. They are also planning DFI i.e. Development Finance Institution for long-term funding for infrastructure in the country and also to mitigate the difficulties faced by the banks by starting a ARC. They can take over the bad loans of the commercial banks so that Banks will be ready and available with funds to support development projects.

These are all good measures and definitely companies like us and the country as a whole also will be nicely benefited. In fact one more thing they have recently done is the Finance Ministry has asked the IRDAI that is the Insurance Regulatory Authority to look into the matter of providing surety bonds and guarantees by insurance companies for construction contracts. That is an international practice and as perhaps you may be aware banks are in a difficult situation in terms of providing additional bank guarantees and many companies are finding it difficult to provide the necessary bank guarantees when large projects are being bid out.

If bank guarantees are not available, the construction companies will find it difficult to go forward but to mitigate this problem this is a new initiative by the Finance Ministry and IRDAI has formed a committee to look into this matter of providing the surety bonds and guarantees for construction business. The expert committee report has been recently released; they also suggested a second avenue of availability of bank guarantees and surety bonds will be made available. They recommended that the insurance companies should be brought into the picture in terms of supporting construction activity.

So that is the good development, and two avenues are there one is the banks, other one is the insurance companies, that will help to mitigate the problems faced by construction companies at this point in time and will be welcome. Likewise Finance Ministry also has

come out with certain guidelines in terms of reduction of the bank guarantee requirements particularly for performance guarantees; if a current performance guarantee value is 10%, it can be brought down to 3% for the new projects that are going to be bid out and also for the existing projects, if the performance guarantee required is 10% and if the client where they there is no dispute with the clients and the contractor, with the consent of the client the 10% can be reduced to 3% which means the 7% will be available for construction companies in terms of providing necessary bank guarantees for the new projects. Likewise the bank guarantee for bid bonds is also removed, totally a system of certification and self-declaration. That will also give a lot of relief to construction companies in terms of having sufficient quantity of bank guarantees.

Another aspect that we have done is in the existing projects if the performance guarantee is say 10% for a project of say 100 Crores and on that project as a contractor I have given a performance guarantee of 10 Crores and if the project execution is done up to say 50% that means out of 100 Crores, 50 Crores is already executed the performance guarantee value can be reduced by 50%, we can bring it down to 5 Crores that is also a good measure and the number of public sector undertakings taking the G O from the Finance Ministry have started implementing this.

We have got nearly 440 Crores of bank guarantees values reduced so that these guarantees are available for the new projects and also we save on the BG commission for the reduced value of the bank guarantees. So these are some of the good measures at the industry level initiated by the Finance Ministry in the budget and also even earlier before the budget, based on the representations made by the Construction Federation of India and also Builders Association of India, these are all steps in the right direction to support the construction companies like us and will definitely welcome them and we have already seen visible improvement in terms of availability of bank guarantees. Also another measure the finance ministry has initiated because of COVID-19 they have mandated all the central government agencies to see that the payments are released to contractors faster & quicker provided the work is done and bill is certified.

National Highway Authority of India based on the directions of the finance ministry paid nearly 30000 Crores in a matter of two to three months between April to June so that the funds are available to construction companies, they in turn pay the suppliers they in turn pay the subcontractors they in turn pay the labourers which means the wheels of the economy will keep moving. So these are all good measures the government of the day has taken and definitely the construction and infra industry is on a unprecedented growth path as we go forward. These are the few comments I wanted to bring to the notice of our investors and



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people who are participating in this conference call. Now I request Mr. R. S. Raju to make his opening comments as far as the third quarter results are concerned. Over to Raju!

R. S. Raju:

Thank you Mr. Y. D. Murthy for your well covering of the various aspects. Now good afternoon to all of you, I am R. S. Raju - Associate Director – Finance & Accounts. So let me first explain about the order book thereafter the Q3 revenues and the nine month revenues how the company's prospectus going forward.

So as far as order book is concerned, we have a 26572 Crores at the beginning of the year now it is going up to 39182 Crores because of the new order booking of 17501 Crores in nine months period so after excluding the orders executed in nine months period of 4892 Crores, the order book stands at 39182 Crores almost like 50% growth in the order book from the opening order book for the current fiscal.t

As far as division wise composition is concerned, the building divisions at the beginning they had 50% of the orders in the total order book, now the 50% went up to 58% the quantum of orders they booked in the current nine months are 11150 Crores. Now the order book of the building division is 22619 Crores. Similarly the roads they had 2644 in the beginning, new orders are 337 Crores and orders executed are 822 Crores, closing order book is 2159 Crores.

Water and railways opening we have 4660 Cr, 18% of the order book. New orders 3238 Crores and orders executed 1113 Cr and balance 6786 Crores. Electrical 1711 Cr at the beginning they have and 2765 Crores they have at the end of the nine months figures. Irrigation they have 2054 Cr beginning and at the end of the nine months 2289 Crores, mining division 1912 Crores at the beginning and at the end 2312 Crores so others about 254 Crores are there at the end. International at the beginning 95 Crores and now they have no balance left out to execute almost all the orders are completed very insignificant number are there like some 25 Crores is there at this point of time.

As far as this operating results are concerned first I will read out about the standalone third quarter. In third quarter, we reported an income of 1942.85 Crores including the other income as against 2149 Crores for the corresponding quarter. We have reported an EBITDA of 339.31 Crores and a profit of 70.30 Crores. So our gross profit is concerned, it reported 19.53% as against 20.59% in the corresponding quarter of the last year, so there is a decline about 1.05% in the gross profit margin and reasons for the decline in the gross profit margins are majorly about the COVID-19 the various measures taken for the COVID-19 plus the work flow is not happen as normal as a result the productivity of the all the resources like machinery, manpower, support agencies and apart from that the additional



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expenditures and also some part roughly 0.22% to 0.25% is on account of the increase in the input cost there is a sudden demand picked up and as a result certain input cost increases has observed in the third quarter it is also a part for the decline in the gross profit margins.

The net profit is concerned we reported 3.62% as against 5.13% in the corresponding quarter of the previous year. So here as far as net profit is concerned there is improvement in the salary cost and the administrative cost as per the company to report to at this level despite the low turnover and other impacts on the gross margin.

Come to the nine months period the company reported a total income of 4732 Crores against 6164 Crores, an EBITDA of at 564.74 Crores as against 749.62 Crores and a net profit of 145.64 Crores as against 271.67 Crores and reported an EPS of 2.39 against 4.52 of the corresponding period of the previous year. This is the standalone results and as far as consolidated results are concerned the total income reported for three months period is 2150.69 Crores as against 2282.98 Crores, the company has reported an EBITDA of 56.15 Crores as against 262.76 Crores and a net profit of 71.20 Crores as against 103.83 Crores in the corresponding period of the previous year and reported EPS of 1.17. On nine months period the total income 5223 Crores against 6653 Crores a EBITDA of 613.39 Crores as against 800.25 Crores and a net profit of 151.48 Crores against 260.71 Crores in the corresponding nine months period of the previous year. Reported an EPS of 2.48. This is three months and the nine months operating results. Our company interest cost, as far as interest cost is concerned there is a steep decline in the interest cost from the third quarter standalone basis from 141.76 Crores to 106.5 Crores about in terms of percentage it is 5.48 as against 6.60%. So the reasons for the decline in the interest cost primarily the average utilization of the debt has come down from that of the corresponding quarter or the previous quarter and also the interest rate have come down from the previous rates because of the various measures that the presentation stated by the company with the banks and also the BG cost in terms of percentage of BGs commission has also come down bank-by-bank so these are the aspects which helped the company to have the interest cost at the low level comparing to the previous quarters.

Similarly the employee cost when comes to nine months period there is a significant decline in the employee cost from 338 Crores to 259 Crores so the company already because of previous year's low level of performance and the low level of order book has taken certain measures including the bringing down the headcount and also keeping some control on the payouts to the employees so various measures the company has taken as a result there is a significant decline of about 78 Crores in the nine months period so which helped the company at least to report at least the level of net profit margins. In trade receivables there



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is a decline quarter-on-quarter and from the beginning year if you observe nearly 400 Crores or so the trade receivables have come down.

As far as Capex is concerned, big capex happened in the third quarter because of the new projects received by the company and also there is one big mining project of the size of 833 Crores so for which we procured the new machinery, as a result in the first nine months period the Capex spent by the company is about 107 Crores, and in the fourth quarter roughly we may spend another 20 to 30 Crores on the Capex. As far as group companies' investments are concerned, there is not much change in the investment, and the group companies' loans are concerned there is a quarter-on-quarter decline happened in the group companies' loans, and outlook for the next year, the outlook for the Q4 and for the next year already my colleague Mr. Y. D. Murthy explained at macro level the first two aspects were happening. So some of the points observed by us for the future growth prospectus, the good order booking has happened in the first nine months period nearly 19000 Crores that is a good thing and we have not expected this one despite the COVID-19 though the order booking did happen in the first two quarters, but the good order booking happened in the third quarter so the order book increased by about 50% for the previous order book which help the company to report a increased turnover, increased topline in the year 2021, 2022 and going forward.

The order book happen across various divisions and it has a diversified order book, so it gives me a good growth across various divisions and facilitate the company to reported much as well the good turnover going forward. Other good aspect is that debt level of the company gradually coming down and by end of March we expect further come down and it may reach a 1750 Crores level so there is a reduction in interest rate happening and some more interest rates cutting also may happen and the company as far as the credit rate is concerned, the company expects an improvement in the credit rating which helped the company to negotiate further for the decline in the interest rates which help the company to report good margins going forward.

Now bank guarantee commission charges are also coming down and we observed that there is a decline in the bank guarantee commissions from 2% plus to some 1.5% or so on an average. The another important aspect, very, very important thing for the company is the Atmanirbhar Bharat scheme for which Narendra Modi and Finance Minister our central government given a relief for the bank guarantees which has already explained by Mr. Y. D. Murthy from 10% and 5%, to, 3% this is a very good relief to the company as a result the one is the bank guarantees utilization of bank guarantee should come down drastically which will help to bring down the BG cost and also it improves the resources. The BG resource is a constraint for any company so which increase the resource level which has



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been help to go for at any bigger size of orders or increased order book without any much difficulty.

So the budget, I will talk of the budget given by the government in February. Various measures and various schemes and various announces made by showing major thrust to the infra segment or infra industry. So which help the company going forward to capture good number of orders, the other important is the average order size has increased dramatically in the first nine months period it went up to 461 Crores; so it facilitates the convenience to execute the orders and the bigger size orders gives for the raise of NCC s and good convenient to execute quickly those projects.

These are some of the positive things for the companies going forward. These are the financials. Any questions arise at the time I will clarify any further information or inputs like that.

Y. D. Murthy:

Just one or two points from my side to what Mr. R. S. Raju has already stated as far as the quarterly results are concerned. Our participants will appreciate that this is a COVID year and the entire economy has been disturbed not only in India, but also across the globe all the economies are shrinking further. The Indian economy is likely to shrink by about 7.7% in FY2021 the current financial year and in the first quarter the economy has shrunk by 23.9% and we are not an exception so we also are reporting lower numbers, but what is important is the sequential growth that we are having that is what is the growth of Q2 compared to Q1 and what is the growth of Q3 compared to Q2 in fact now they are talking of the economy having a V-shaped recovery which means the sharper recover and that is also reflected in the workings of our company. For example in Q2 FY2021 we have reported topline growth of 30% compared to Q1 that is sequential growth as far as the turnover is concerned and as far as the profit is concerned Q2 reported a 240% growth compared to Q1. Likewise in Q3 the topline growth compared to Q2 is about 24% and the PAT also has grown by 20.36% compared to Q2 that clearly indicates that growth is visible it is slowly picking up quarter-by-quarter and I am very sure the fourth quarter will be definitely far better than Q3 FY2021 as a whole though the economy is shrinking by 7.7% and for us also similar shrinkage is likely to be there for FY2021 as far as the topline is concerned and in FY2020 we reported a topline of 8200 Crores if you take that 7.7% decrease in the topline we are likely to declare about 7500 to 7600 Crores of topline for the current financial year. As far as the order book is concerned perhaps our participants will be aware we have given a guidance of about 10000 Crores for FY2021 whereas that figure we achieved in the first eight months of the current financial year by November and in December we got very substantial orders more than 9000 Crores. So in nine months fresh order accretion in the current financial year is about 20000 Crores that is a good indication



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how the things are panning out and in fact some more orders are also expected for example in January we received orders of about 1200 Crores so there is a strong order book expansion that is happening in the current financial year and that will help us to give a strong growth number as far as FY2022 is concerned we are working over the business plan for the next financial year once it is approved by the board we will be able to share that with you other than that I cannot say anything at this point in time but definitely the company is on a very good growth phase and going forward lot of opportunities are going to be available and also the problem of bank guarantees is also more or less resolved and we have got very strong execution capabilities and that will help us to report a very good topline and bottomline for the next financial year, and also it is important to note that we bagged 25000 Crores of orders in FY2018 and another 24000 or 25000 Crores in FY2019 that means two successive years we bagged nearly 50000 Crores of orders that is not a small number and that is likely to be repeated going forward mainly because of the huge opportunities that are available and that is already visible in terms of the order inflow that we have already bagged. So that is all from my side only one more thing the interest cost have come down nicely we are asking the banks and we are able to convince them and also the because the policy rates have been cut by about 2.15% by the Reserve Bank in the last one year there was some delay in the transmission of the interest rate reduction but nevertheless slowly and steadily it is happening for us that is why there is a good decline in the finance cost, finance cost for the third quarter is 106 Crores as compared to 141 Crores in the third quarter last year there is a substantial decline and also for the nine month period also current year it is 340 Crores as compared to 398 Crores in the previous nine months of the previous financial year. So these are all good number and definitely we seized these opportunities in fact we were mentioning about affordable housing perhaps many of you maybe aware we have done successfully affordable housing projects in Andhra Pradesh though there is some delay because of change of government but nevertheless they are very good projects and we have got very strong execution capabilities now we are looking at similar affordable housing projects in Maharashtra and elsewhere, likewise this Jal Jeevan Mission also it is a very good scheme by the central government to supply potable drinking water we have got lot of experience in that sphere earlier we have done the Mission Bhagiratha projects in the state of Telangana, our home state, successfully and in time and also received all the payments also. So similar thing we are likely to replicate in other states for example in UP under Jal Jeevan Mission we have got about 6200 Crores of orders in the month of December that's how the order book has also gone up and we are very confident there again 50% funding by central government and 50% by the state government. So these are all very positive as far as the company had experience is concerned. Now I request the participants to ask their questions and one request please restrict your questions to not more than two



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questions per participant and we may not be able to take more than 20 questions. Please go ahead.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ashish Shah from Centrum Broking Limited. Please go ahead.

Ashish Shah: Sir the first question is on the revenue guidance. You did say that we can do 7500 to 7600 Crores in 2021, so that implies closer to maybe closer to 3000 Crores in Q4. So looking at the situation today do we think that we are on track of 3000 Crores or there could be some slip there.

R S Raju: Now as against some 3000 Crores gap so we able to reach about 2500 to 2600 in the fourth quarter so that is about 96% of the target whatever we have given of 7500 Crores.

Ashish Shah: So we are confident about 7500, 7600 in the fourth quarter.

R S Raju: Yes.

Ashish Shah: In terms of margin do we think that there is any more impact left or we have absorbed the increase in commodity prices, or you think that the fourth quarter or next year you could see some more impact on the margin, the gross margin level.

R S Raju: Yes, so margin front is concerned there is because of the market situation and we expect definitely some 0.5 or something depends upon how they are going forward base even the present level of the input prices and the gross margin we expect that slightly get affected in the fourth quarter.

Ashish Shah: So you are saying about 0.5% more impact and the gross margin could get more.

Y. D. Murthy: Yes.

Ashish Shah: Just lastly could you update on the progress of the recoveries from AP and what is the debt level as of December. Thank you.

R S Raju: Now AP is concerned about 300 Crores of the amount is collected from the clients this 300 Crores and about collections except capital city projects from other projects that things are happening only in the segment of capital city per se those projects things are not yet decided and the government client side engineers stating like working out that came how to close those things whether to discount, if it is descope, how much to descope and how to close the



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settle the amount like the director side discussions are going on, on those capital city projects. But apart from that one other projects are concerned those projects are moving one after other and the payments though not immediately, but payments AP government is releasing so there is an improvement month-on-month on such payments. So the outstanding has come down except now we have the retention money only 300 Crores, 300 Crores retention money is there apart from the 300 Crores retention money however receivables hardly 100 Crores or plus and work in progress about 300 Crores is there all put together about including retention money the working capital held up in those projects is 700 Crores, but on 700 Crores, 500 Crores plus is with the running projects anyhow that type of that kind of working capital is required to run projects so 200 to 300 Crores working capital would be there in the capital city projects where the movement it not did at this moment.

Ashish Shah:

Sir last this debt question which you could answer what the debt number is.

Y. D. Murthy:

Debt I will give you, debt is 1966.3 Crores comprising of cash credit of 1534.9 Crores and COVID loan of 140 Crores, machinery loan of 290.9 Crores and it is very much under control our debt equity is less than .4:1 and regarding AP just to clarify to you the value of orders in the AP in percentage terms has come down to about 10% to 12% at one time it was very high at about 36% some orders will be moved, some of the order moved and some execution is also happening all these measures put together the share of AP the order book has drastically come down and we are planning to maintain at that level and as far as AP government payments are concerned in calendar 2020 they have paid about 400 Crores about 100 Crores they paid in March to 2020 and in the current financial year they paid additional 300 Crores and some more payments are also expected before the end of the financial year. So AP our payment cycle has improved nicely, and further improvement is also expected of course some delays are there because government is also having difficulties, but the matter is very much under control.

Ashish Shah:

Thank you.

Moderator:

Thank you very much. The next question is from the line of Kirti from Sundaram Mutual Fund. Please go ahead.

Kirti J:

Congratulations for strong order wins in the current quarter. Sir the question is with regard to the guidance for the fourth quarter. Sir given the strong order backlog when do we expect a J Curve strong revenue pickup for our company sir given that previously when we had a 40000 Crores kind of order book we were doing 3500 Crores kind of revenue or 8% to 9%



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of our order book as a quarterly revenue when do we expect such a momentum in a week sir.

R S Raju Y. D. Murthy: The fourth quarter already explained and we expect to reach 2500 to 2600 Crores level from 1900 Crores of third quarter a significant increase from the third quarter to fourth quarter and for the year 2021-22 certainly there would be a good jump, good increase will happen in the topline and 10000 Crores plus would be there and the budget and the process is going on across various divisions so that will be finalized by April month end but for the moment we can say 10000 Crores plus will be there in 2021-2022.

Kirti J: Sir are these projects different from the last time projects sir when we touched very high revenue of 13000 Crores plus or here we have like is the duration longer for the orders which we have won sir.

Y. D. Murthy: No, not that this is for example in FY2019 we have reported a topline of 12200 Crores is a big jump so at that time we were able to do lot of affordable housing projects in the state of Andhra Pradesh the payment cycle was also good the government was in a election mode and they wanted to see that these projects are completed faster and quicker and we were using the MIVAN technology, imported technology where the walls and the ceiling are constructed with concrete in-situ construction. So all these, they are fast in execution and all, all these measures helped us in terms of completing the projects fast and quicker and also booking the revenues a similar thing can happen in the next financial year that is FY2021-22 mainly because we still have a sort of housing projects we are bidding for affordable housing projects and also the Jal Jeevan Mission project which we have got from the UP government and similar projects may come in future in the other governments it is basically laying of water pipelines and also overheads to arrange tanks and also last mile connectivity to give the households these kind of things we can do faster and quicker which can help us to book the related turnovers going forward, and also our Nagpur, Mumbai Expressway has picked up steam and doing very well a lot of topline is being generated there is a bonus clause also we are planning to see that we complete the project ahead of schedule despite getting the biggest package of 2850 Crores likewise we are doing defense projects where payment cycles are very good provided the work is done and bill is certified payments are coming faster and quicker likewise organizations like All India Institute Of Medical Sciences, Airport Authority Of India, various central government agencies payments are not a problem provided the work is done and bill is certified all these measures will definitely help us to book very strong topline growth in FY2022.

Kirti J: So we can expect exceeding in FY2019 sir or of when should expect.

Y. D. Murthy: No, that is why see we are working over the budget so already my colleague has been indicated the number but as also of course we can share it to this year only when the budget is approved by the board.

Kirti J: Sir my last question is on the order flow. Hence what is the revised guidance for FY2021 which we are expecting that is my last question sir.

Y. D. Murthy: No for current year the beginning of the year we have given a guidance of 10000 Crores we have already achieved twice that as I told you in the first ten months we received about 20200 Crores of orders now how much we get in February and March it is difficult to say at this point in time definitely some addition is going to be there we are very confident we will close the year with an order backlog of 40000 Crores plus.

R. S. Raju: Now a minimum of 3000 Crores we are expecting in fourth quarter minimum but if they expected that...

Y. D. Murthy: Yes out of this 1200 has already come in the month of January.

Kirti J: Thanks a lot sir.

Moderator: Thank you. The next question is from the line of Ashish Agarwal from Principal India Mutual Fund. Please go ahead.

Ashish Agarwal: Sir just wanted to understand what could be the duration of our order book number one, and number two what will be the mobilization advance which is interest rate bearing where we pay interest.

R S Raju: What is the first question is...

Ashish Agarwal: What is the duration of our order book right now.

Y. D. Murthy: You are asking book to bill ratio.

Ashish Agarwal: No I am just wanted to understand this order book in how many years we are needed to complete this order book.

Y. D. Murthy: Yes exactly see that we call it in our requirements book to bill ratio it is about 3.5:1 some orders are for 30 months some orders are for 24 months some projects are even for 18 months and below and some of the irrigation projects for 36 months. So we have to look at the company as a whole order book versus execution the topline.

R. S. Raju: Okay the present order book completion if you workout around two and a half years would be there that how the average the duration of the projects two and a half years would be there in the normal when all the projects completed within the normal time but that government contracts are still delay from the government would be as since another office we had three years, three years plus would be there, and your second question is about to, what is the second question, can you please...

Ashish Agarwal: Sir my question was the mobilization advance how much of your mobilization advance will have interest component.

R. S. Raju: Now what we understand from the various contracts what we secured the major orders what we are securing from the UP and you can take that 50% of the orders what we secured are interest free mobilization advances and in those the new projects particularly the UP water segment work they have 10% mobilization advance clause is there, so the mobilization advance inflow in the next year against these orders would be good and which help the company has a good leverage it will be a good leverage for the execution and also it help us to keep down the debt component extra.

Ashish Agarwal: But what could be this component currently at the end of Q3.

R. S. Raju: Interest component 80%.

Y. D. Murthy: No, that is the outstanding, yes, it is 1334 Crores as on 31st December 2020.

Ashish Agarwal: Got it sir. Thanks a lot.

Moderator: Thank you very much. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir congratulations first of all for a significant order inflow. Sir just one clarification is there around 1875-odd Crores reduction in scope of work because as we are saying the announcement of order inflow is 20000 plus but the 17500 Crores that initially you mentioned and plus 1200 odd Crores so some around 1900-odd Crores reduction in scope of work has happened and if so then in which project.

R S Raju: I will explain and out of this new orders what we secured two orders one order what we secured in the last leg of the previous year that is Mumbai,Mumbai Bhawan project 867 Crores or so that is not grounded and there is a good amount of certainty on the project as a result we remove that order from the order book is number one. Number two is the order

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what we secured in AP the order does not have Central Government approval so our people expect there will be some delays would happen on the giving approval by the various agency at Central Government level so thereby we also removed that order that is about 900 Crores or plus these are the two orders which are making the difference to your equation.

Shravan Shah: Sir in terms of the Capex you have mentioned for this year, but now with a significant order inflow so next year can we see a significant jump in Capex also and at the same time and need the some of the balance sheet numbers of inventory creditors our retention money.

R S Rajuy: For this whatever nature of orders we received in that one, mining project is there 833 this project already we procured the machinery in the current two months for that two months period and the rest of the orders may not require the major Capex and we have the equipment and there would not be any significant spending on the Capex for the orders already we secured are the around 100 to 120, 130 Crores would be sanctioned and if any big projects coming going forward if any big road projects also received then only the Capex in the road projects or mining projects can be received then only Capex would be there otherwise Capex would be in the normal level.

Shravan Shah: Sir I need some of the balance sheet numbers like retention money debtors, creditors, inventory and the exposure to the group companies.

Y.D Murthy: Yes the retention money is 2234.89 Crores cash balance of 400 Crores inventories is 449.72 Crores the trader receivables are 2046 Crores and what else you wanted.

Shravan Shah: Creditors.

R. S. Raju: Creditors are about 3547 Crores.

Shravan Shah: And the investment in the group companies.

R. S. Raju: Yes, correct investment in the group companies already Mr. Subbaraju has touched upon the loans and advances is yes it is more or less same level 530 Crores is the loans and advances investment is 889.25 Crores so the group exposure as on 31st December is 1419.8 Crores.

Shravan Shah: That is it from my side and all the best. Thank you.

Moderator: Thank you. The next question is from the line of Parishkit from HDFC Life Insurance. Please go ahead.



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- Parishkit:** Hi sir Parishkit from HDFC Securities. Sir my question was on any significant monetization going on in the real estate side if you can highlight because every year we have a target of 100 to 200 Crores so are there any lease in advance stages wherein we can expect some closure this year or next year if you can give your views on that.
- R.S Raju:** Yes from the point of view of monetization now we have NCC urban is there and NCC Vizag urban is there. So NCC Vizag urban the discussions with the buyer happening and it is most likely to be concluded in a months' time for the last six months it is in working and as far as the approvals from the government like NOCs and other aspects were happened so we expect in another one month the final agreement will be concluded which may help us to get an inflow of 150 Crores or so in the year 2021-22 and another 100 or 150 Crores in the year 2022-23. So as far as NCC urban is concerned slowly they are paying and next year we expect about 80 to 90 Crores inflow coming in NCC Urban both for the interest payment and the loan repayment these are the two major things.
- Parishkit:** So this NCC Vizag urban you said our total deal size is about 300 Crores right 150 this year and 150 next year.
- Y. D. Murthy:** Yes.
- Parishkit:** And sir total debt by the year end and earlier in the call you said it will be about how much 1700 Crores by March 2021.
- Y. D. Murthy:** By March 31st, 1700 or between 1700 to 1800 Crores is there.
- Parishkit:** And sir last question on, sir what will be the NWC days now for us.
- Y. D. Murthy:** What is the...
- Parishkit:** Net working capital days.
- Y. D. Murthy:** Net working capital is 227.
- Parishkit:** And this is on the revenue base of current revenue base right so.
- Y. D. Murthy:** Yes current revenue base.
- Parishkit:** And absolute number you have, absolute number is how much on which you have .
- Y. D. Murthy:** Okay we will inform you.



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Parishkit: Yes sir. Thank you.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: Congrats on great order inflow. Sir just two questions from my side. Sir one is I wanted to get some more idea on this Jal Jeevan Mission project so as you mentioned we have got around 6000 Crores of orders from UP so are we see these similar kind of orders from any other state government and are we bidding from them for them also going forward and secondly sir if you could just give us the status update on some of the key projects like Nauroji Nagar and Srinagar, how is the execution happening on them and is there execution on those projects on track.

Y. D. Murthy: See as far as Jal Jeevan is concerned that is the first time we got in UP but as I was mentioning earlier we have done with similar projects Mission Bhagiratha in the state of Telangana and completed them successfully we got the payments also in time so what we are proposing to do in UP is not a big thing for us it is only a construction of overhead tanks and laying the pipelines and the last mile connectivity etc., where 50% of the project cost is borne by the state government the balance 50% is provided by the central government so we do not see any payment delays particularly the UP state is going for election and normally the political bosses with system would like to complete this projects before the elections and so we are looking at a faster and a quicker execution and it is not a very difficult or any high technology project the only thing is you should have good teams and faster execution in all the districts that are awarded to us a similar projects are likely to be available in other states also that is here to pickup perhaps that we will do in fact Telangana is the first place in the entire country where potable drinking water is made available to all the households in the entire state now other states are likely to replicate this model to provide potable drinking water hygiene that is COVID-19 all these things are also there and central government also has taken the initiative by supporting them and providing the funding so next two to three years these two will be major drivers in terms of order award for construction companies one is affordable housing other one is Jal Jeevan Mission. Right, anything else.

Moderator: Sir the line for the participant dropped. We move onto the next participant. The next question is from the line of Siddharth Mohta from Principal India Mutual Fund. Please go ahead.

Siddharth Mohta: Sir any update on international subsidiaries which are close to windup so how has been progress we had any recovery or write-off required.



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Y. D. Murthy: See international subsidiaries as far as the construction business is concerned in Dubai and United Arab Emirates who have completed all the projects there is nothing to be executed there. As far as Oman is concerned a residual order of 5, 6 Crores is there and another order of about 25, 26 Crores in Qatar is there. These orders would be completed by May 2021 that means another two, three months from now. As you know we are planning to windup our business in the international market and we are moving in that right direction and also we have got some inventory plant and machinery construction equipment etc., and also the receivables particularly in terms of retention money payments final bill payments and also some client settlement some government agencies there all these have to be done over a period of another 12 to 18 months and we do not envisage any further outgo from India. We also started the process of selling our equipment there already some quotes have been received etc., and once that is done we will close our operations in the gulf region and we are confident whatever investments we have made are definitely going to come back to us.

Siddharth Mohta: Sir second question sir increment orders worth 10000 Crores which the company had received in the last two months sir so does that order book has considered increased raw material prices while bidding so our gross margin or the EBITDA margin it can be protecting.

Y. D. Murthy: Yes, we will take into account and our clients also provide some relief in terms of key components of construction like steel and cement any abnormal increases they will compensate to us and also where a client is not providing any escalation clause the tender document we take normal escalation into account and they loaded into the project cost that we submit for bidding so we have got enough capability to absorb these losses already it was discussed there could be some 0.5% further reduction at gross profit margin level but if you look at the EBITDA you were able to maintain EBITDA is about 12%, 12.47% is that which is better than last year third quarter so in all likelihood at EBITDA level we will be able to close the year between 11.75% to 12%.

Siddharth Mohta: Sir considering the background that you have given that the operational efficiency and the current order mix so what can be the EBITDA margin range for FY2022 and 2023 not the précised number but any range that would be very helpful.

Y. D. Murthy: I think we will be able to maintain at this level see 12% EBITDA is a good EBITDA for a construction business in fact earlier we were having single digit EBITDAs good improvement has happened in the recent past because of operational efficiency and also very disciplined bidding to protect the margins and in FY2022 also we expect the EBITDA to be around 12%.



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- Siddharth Mohta:** Thanks a lot, best wishes for the coming quarters.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir two questions, so first one was and if you could share order book breakup in terms of states which all states would compromise how much and so when you bid for these projects and let us say I mean geographically do we target any number internally as to when and to which you would want to restrict exposure to a single state I mean in-between Andhra was almost around 36% so have we decided on any number that you would have chosen internally that we do not intent to cross this number I mean going ahead.
- Y. D. Murthy:** See that is a good question but there are certain issues there one has to very carefully examine if I simply put a ballpark number in any state I will not take more than 10% or 15% it may not work so we are planning to build some flexibility into that for example right now in the state of UP they have a share of about 25% in the order book mainly because we got this Jal Jeevan project in the UP government. Now what do you mean by a state government project, if the project is funded by central government can you call it a state government project the implementing agency is the state government but funding is coming from the central government likewise the ADB funded projects or World Bank funded projects or the funding is coming from multilateral agency so the state government payment may not be there but the implementing agency is the government entity government organization and there are other projects like irrigation projects where they are doing it has a department of a state government where usually the payment has to be made by the state government itself that may run the risk of payment not being available at the right time because government finance are stretched or whatever so we are carefully analyzing it in fact we have discussed this in today's board meeting we have not fixed any level for state government and also if a central government agency use be a project in the state of Uttar Pradesh shall I show it as UP project or shall I show it as a central government project some of the defense projects has come in UP or suppose national highway project has come in UP but the implementing agency is a central government agency a AAA rated company like NHAI so all these issues we have disused at the board level we have not yet finalized. But we are aware of the problem that we are mentioning and definitely we are planning to keep some sectoral caps.
- Prem Khurana:** And sir second question was on this Jal Jeevan sorry to ask on this again. Given the fact that I mean there is a spike line laying part involved as well I mean there is the bought out component as well fair to assume the margin would be slightly lower than our blended average I mean obviously you will have some margin wherein the number would be higher



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in an average the 12% that we spoke about but for these given the fact that the complexity is not that high and you are getting mobilization advances which are interest free would that mean I mean the EBITDA margin would have been little lower than the average number but PBT would still remain the same somehow because of the mobilization advance.

Y. D. Murthy: The faster execution is also possible because they are very simple water pipeline projects and provided the scheme is the project designed by us had submitted to the government agencies approved we can launch the project faster and quicker and execute it also maybe faster and quicker which may in turn result in the faster payments. So we believe the EBITDA margins will be similar like other projects.

Prem Khurana: Sure sir thank you that is it from my side. Thank you and all the very best for future.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital Advisors. Please go ahead.

Mohit Kumar: Sorry sir I missed initial remark. Congratulations on the order inflow sir what is the guidance for FY2021 execution in FY2021 and order inflow now and what is the position of L1 we are having.

Y. D. Murthy: We already told in the fourth quarter we are expecting about 3000 Crores of additional orders and also out of that 3000 we already received 1200 Crores in the first month that is the month of January so we are confident we may reach a level of about 2300 or so for Q4FY2021 as far as the fresh order accretion for the current year is concerned. As far as execution and what will be the order accretion in FY2022 as I told we are working on the business plan then well like I will share the numbers but looking at the macro environment the thrust given by the government for infrastructure development particularly physical infrastructure the order accretion in FY2022 can also be pretty strong.

Mohit Kumar: Sir second question is how the liquidation of AP receivables in past quarter has been.

Y. D. Murthy: Execution.

Mohit Kumar: No liquidation of AP receivables, I think about 850 or 900 Crores was pending right from AP.

Y. D. Murthy: Now the outstanding receivables has come down to about 550 Crores in AP we have got only 4300 Crores of orders all these orders are under execution and payments are also coming but there is some delay for our payment.



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- Mohit Kumar:** Can we expect something substantial to come in Q4 by March end.
- Y. D. Murthy:** Yes, we have been assured another 150 to 200 Crores will be paid to us before 31st March.
- Mohit Kumar:** And sir last question for how much of UP JJM order is still expected to finalize for the industry there are still lot of orders pending.
- Y. D. Murthy:** SO AP what.
- Mohit Kumar:** UP Jal Jeevan Mission order.
- Y. D. Murthy:** That they are having some more in the pipeline definitely we will participate but I do not have the number right now.
- Mohit Kumar:** Understood sir thank you sir and best of luck.
- Y. D. Murthy:** We will do last two questions.
- Moderator:** Sure sir. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir my question was on the monetization side you mentioned 300 Crores from Vizag and NCC Urban Infra which is against what your total investment and loans and advances that you have already put in the subsidiaries.
- Y. D. Murthy:** Yes.
- Ankita Shah:** Sorry, you have a bigger amount in actually total investment and loans and advances which we get it on the subsidiaries.
- R.S Raju:** There is a 240 Crores is there in Vizag urban but investment and loan and the interest on restructured loan that entire amount will be received back plus also surplus would be there under plan, but the details will be known in a month or two months time.
- Y.D Murthy:** The projects that have negotiation with the incoming buyer and also we need the approvals from the state government because there is a revenue share to be given to the state government now so these are the contours of the project they are yet to be finalized and firmed up that will take a month or so as my colleague was mentioning at this point in time we have this we cannot say anything some payments in the next three, four months about 150 to 200 Crores we have invested about 240 Crores by way of equity in the projects of



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about 50 Crores and by way of the loan given to the project company and where interest payments it could be led to about 190 Crores or so we are definitely getting an upside against our 250 Crores investment we are likely to get about 390 to 400 Crores but over a period of time subject to state government approval.

- Ankita Shah:** And what about the NCC Infra side there is a 400 Crores of investment is there.
- R. S. Raju:** NCC Urban Infra.
- Ankita Shah:** No NCC Infra.
- R.S Raju:** NCC Infra we have the one investment and two companies two road projects and one power project. That is under plan, so they take time. So about this two projects one project will be completed in two to three years time so we get back our investment of 100 Crores or so is there that investment in the last two terminal year so after completely paying out the securitization amount what will come actually come into the company and in PTTL we applied up to the NHAI about a scheme once that scheme is approved and then the inflow would be there, but it takes time on up to years' time for that coming.
- Ankita Shah:** So there is still some more time is more than two and likely we still get this amount to win that anyone guided earlier.
- Y. D. Murthy:** No OB infra will come next year because the construction agreement is closing by 2022 whereas Pondicherry, Tindivanam will take some more time.
- Ankita Shah:** That is it. Thank you.
- Y. D. Murthy:** So this will be the last question.
- Moderator:** Yes sir. That will be the last question, I would now hand the conference over to Mr. Parvez Akhtar Qazi for closing comments.
- Parvez Akhtar Qazi:** Thank you participants for taking time to participate in the call and also thanks to the NCC management for giving us the opportunity to host this call. Sir do you have any comments to make?
- Y. D. Murthy:** We thank Edelweiss Securities and particularly Mr. Parvez Akhtar Qazi for hosting the conference and also we thank all the participants for their enthusiastic participation. If any of you have got any further questions you can send us a email or talk to us on one-to-one



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basis to me or to my colleague Mr. Durga Prasad our JGM in the finance department and we will answer your questions and you will answer your emails within 24 hours. Thank you very much.

Moderator:

Thank you very much. On behalf of Edelweiss Securities Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines.