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Date : 17-08-2017

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

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

Dear Sir(s),

Scrip Code : NSE: NCC & BSE : 500294

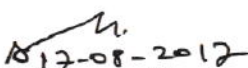
Sub: Transcript of the conference call.

Please find enclosed herewith the transcript of the conference call that took place on 8th August, 2017 for discussing about Un-Audited Financial Results (**standalone**) for the First quarter ended 30th June, 2017. Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.


18-08-2017
M V Srinivasa Murthy
Company Secretary & EVP (Legal)
Encl : As above

NCC Limited

(Formerly Nagarjuna Construction Company Limited)

CIN: L72200AP1990PLC011146

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“NCC Limited Q1-FY18 Earnings Conference Call”

August 08, 2017



MANAGEMENT: MR. YD MURTHY -- EXECUTIVE VICE PRESIDENT (FINANCE), NCC LIMITED
MR. SVN BHANOJI RAO – VICE PRESIDENT (FINANCE), NCC LIMITED
MR. SIVA RAMA KRISHNA – MANAGER (FINANCE), NCC LIMITED

MODERATOR: MR. JASPREET SINGH ARORA – SYSTEMATIC SHARES AND STOCKS LIMITED
MS. DIVYATA DALAL, SYSTEMATIC SHARES AND STOCKS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to NCC Limited IQ FY18 Earnings Conference Call hosted by Systematic Shares and Stocks Limited. As a reminder, all participant lines will be in 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jaspreet Singh Arora from Systematic Shares and Stocks Limited. Thank you and over to you, sir.

Jaspreet Singh Arora: Hi and good evening, everyone. Welcome to the First Quarter Earnings Call of NCC. We have with us Mr. Murthy and his team. Mr. Murthy, congratulations on a very good start on both the quarter as well as the order inflows. Over to you, sir.

YD Murthy: Thank you, Jaspreet. Good Afternoon, participants. I am YD Murthy from NCC – Executive Vice President (Finance). I have my colleagues -- Mr. SVN Bhanoji Rao – Vice President (Finance) and Mr. Sivaramakrishna – Manager (Finance).

I will take you through the first quarter results and then we can have the opportunity to ask the questions.

First, management inputs on the performance: These are the standalone numbers. The Board has decided to give standalone numbers for this year also this being the first quarter. For the entire current year, only standalone numbers will be given for the first three quarters, and the end of the financial year standalone as well as consolidated audited numbers will be presented to the investors.

We reported total revenue of Rs.2,013.7 crores. Other income of Rs.20.9 crores. So the total revenue is Rs.2,034.6 crores which is about 5% more than the first quarter of the previous year. The EBITDA margin is Rs.171 crores, EBITDA margin is 8.5% as compared to 8.7% in the previous year, the EBITDA is less compared to first quarter of the previous year mainly because of the profits in some of our projects in the Water division and residual power order could not generate the expected profits. That is why the EBITDA is slightly low. But however, we are confident we will be able to improve the EBITDA in the remaining quarters. PAT is Rs.63.4 crores, the PAT margin is 3.1%, this is a good improvement compared to 2.7% in the previous year.

The finance cost is Rs.86.1 crores, which is 4.2% of the turnover whereas last year it was about Rs.94 crores. so the finance cost reduction is up to an extent of about Rs.8 crores and depreciation is Rs.27.6 crores, cash profit is about Rs.91 crores and other income which we reported is Rs.20.9 crores, it comprises of about Rs.12.6 crores booked on advances given to group companies, Rs.2.2 crores on account of deposits with the banks and Rs.6.3 crores is miscellaneous income and rental income is about Rs.0.7 crores, total is Rs.20.9 crores. The other income has come down compared to the previous year first quarter, that is the last year it was Rs.28.6 crores.

As far as the finance costs are concerned, interest on debentures is nil, interest on term loans is Rs.1.6 crores, interest on cash credits and WCDL is Rs.51.6 crores, interest on mobilized advance is Rs.9.4 crores, other interest is about Rs.1.4 crores, total is Rs.64 crores. BG Commission Rs.18.8 crores, LC Commission is Rs.2.3 crores. Bank and other finance charges in the quarter is Rs.1.1 crores. The total finance cost is Rs.86.1 crores.

The standalone debt is Rs.1,797 crores and the bifurcation is working capital demand loans and cash credits Rs.1,663 crores, term loan that is corporate loan outstanding is Rs.13 crores, bill discounting is Rs.105 crores and machinery advances, that is hire purchase leasing is about Rs.16 crores, total debt on the books is Rs.1,797 crores as compared to Rs.1,577 crores at the beginning of the year. The debt has gone up mainly because of utilization of the working capital limits to take care of the execution that the company is doing. But the standalone debt is well within the expected range, that we have in mind.

There is a good improvement in the order book; we received fresh orders of about Rs.6,000 crores in the first quarter and I will give you the bifurcation of the order book for the first quarter as a whole. We started the year with an order book of Rs.18,088 crores and we received fresh orders of Rs.6,051 crores and we executed orders worth about Rs.2,130 crores during the first quarter and so the order book at the end of the first quarter that is on 30th June is Rs.22,009 crores. This comprises of Buildings Rs.10,108 crores, Roads Rs.483 crores, Water and Environment Rs.4,309 crores, Railways Rs.112 crores, Electrical Rs.1,895 crores, Irrigation Rs.1,829 crores, Metals Rs.42 crores, Power Rs.39 crores and other divisions that is the new order we received in the Security Systems, in a joint venture our share that is Rs.489 crores. Mining Rs.1,874 crores. International Rs.829 crores, total Rs.22,009 crores.

Loans and Advances to group companies remain more or less stable is about Rs.605 crores as compared to Rs.558 crores at the beginning of the year, the increase on account of loan of Rs.47 crores given to NCC Urban during the first quarter.

Investments in associates and subsidiaries remain at Rs.1,043 crores, more or less in the same level as at the beginning of the year. Mobilization advance Rs.643 crores, retention money Rs.1,699.9 crores, that is almost Rs.1,700 crores, cash and bank balance is Rs.68.7 crores, inventories Rs.1,327 crores, comprising of raw materials of Rs.339.8 crores, work-in progress of Rs.972 crores and property development cost appearing in the books of the parent company is Rs.15 crores. Trade receivables Rs.1,954 crores, out of that outstanding beyond six months is Rs.410 crores and outstanding up to six months is Rs.1,544 crores. What happened is in the first quarter on account of GST implementation on 1st July we have built the maximum possible amounts so the work-in progress has come down and the receivables have gone up. Debt collection period also has gone up to 89-days as compared to 75-days in the previous year. But this we believe is only a temporary aberration. It will improve as we go forward. This is about the company and its performance in the first quarter. These are the comments from the management side.

Now, I request the participants to ask their questions. Because of paucity of time and because the conference call started late, we would like to close it by 6 o'clock. So I request the participants to ask not more than one question each and the total questions will be restricted to a maximum of 20 questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Prabat Anantharaman from B&K Securities. Please go ahead.

P Anantharaman: Sir, just wanted to know, you gave us the order book breakup. This Rs.6,000 crores order inflow basically in which sector did we get it?

Sivramkrishna: The new orders from the Building division is Rs.3,355 crores. Water and Environment Rs.1,741 crores, then some residual orders from Railways division is Rs.2 crores and Electrical division is Rs.464 crores and other Security Systems is a new division it is, Rs.489 crores and total is Rs.6,051 crores.

P Anantharaman: This Rs.3,350 crores of orders in the Building segment, is this a private real estate or institutional, commercial, government buildings?

YD Murthy: We received an order of Rs.2,000 crores from the Government of A.P. for the weaker section housing, Prime Minister Awas Yojana. That is a project to construct about 33,000 dwelling units in various parts of the State of Andhra Pradesh. There is a subsidy component also there in the central government. We have to complete this order in a matter of over 15-months.

P Anantharaman: Sir, the remaining Rs.1,000 crores, is this also government orders or are we seeing private real estate or something like that?

YD Murthy: In Buildings, we have included the Metro Rail Projects also. We bagged one project of Rs.500 crores in Pune. This is also included in the Buildings.

P Anantharaman: Recently also I think a couple of days back you got an L1 order in Pune for Rs.330 crores?

YD Murthy: Yes, that is not reflected here, that is in the second quarter.

P Anantharaman: So that Rs.330 crores plus another Rs.500 crores of Metro Line II(a), and IV, that will come in the next quarter or so, those orders are not there in this quarter?

YD Murthy: Yes.

P Anantharaman: Sir, at the end of the last quarter you had given a guidance of Rs.10,000 crores to Rs.12,000 crores worth of order inflows in FY'18 with 70% of it being met in the first two quarters only. Are we looking to increase this order inflow guidance or are we maintain it at the same?

- YD Murthy:** No, we normally do not increase the guidance but I fully agree with you there is a good possibility that we may exceed the targets, we have to wait and see.
- P Anantharaman:** One question on your loans and advances front. So it is roughly at around Rs.1600 crores as of Q1 end?
- YD Murthy:** Yes.
- P Anantharaman:** In this if I go by your balance sheet numbers, the real estate exposure that is investments and loans and advances is roughly around Rs.800 crores?
- YD Murthy::** No-no, loans and advances to subsidiaries and associates is Rs.605 crores at the end of Q1 '18.
- P Anantharaman:** No sir, I am totaling up the entire group exposure...investments and loans and advances?
- YD Murthy:** Yes-yes, the group exposure is Rs.1,648.8 crores.
- P Anantharaman:** So in that sir, the Real Estate is around Rs.800 crores, half of it is Real Estate exposure if I am not mistaken?
- YD Murthy:** I do not have the numbers. I think it is slightly more than that.
- P Anantharaman:** Sir, basically what I wanted to understand sir is as we have spoken about this earlier and last time also you have given us quite a fair guidance of how you expect to realize money say from your Kakinada-Bangalore land sale. I just wanted to get a confirmation, are these plans very much in motion and can we see a near-term pipeline as to how much money can you monetize from your real estate subsidiaries and get this Rs.800 crores worth of investments back into NCC standalone?
- YD Murthy:** NCC Urban, they have identified some properties -- one at Kakinada and one at Bengaluru -- by selling these two properties, they are likely to generate cash of about Rs.140 crores or so. So that was got delayed because of the slowdown in the real estate sector. We thought it will happen before FY'17, but it has not happened, but definitely it is going to happen in the current year, maybe in the next six months or maybe by December 2017, the deal may happen and they are likely to repay about Rs.100 crores of loan taken from the parent company.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Aviva Life Insurance. Please go ahead.
- Nitin Arora:** The Security System order which you talked about is mostly a bought out items order where you just make a trading margin if you can explain a little bit on that?

- SVN Bhanoji Rao:** The order is bagged by MCC Metrics Consortium and the total order value is Rs.960 crores and in which NCC share is Rs.489 crores. There are components that are to be imported and it will be installed in Andhra Pradesh in various districts.
- Nitin Arora:** Sir, for us it would not be more than 2% or 3% EBITDA margin order?
- YD Murthy:** No, it will be normal, about 10% to 12% EBITDA margin will be there. The order itself has two components – One is import of cameras and other equipments and security systems, servers and all. Basically the order is a fiber network order where all the police stations are going to be interlinked and they are linked with the IG's headquarters in the capital city and also the CM's headquarters in the secretariat and things like that. So the works pertaining to installation and civil mechanical works will be done by NCC. Our partner, Metrics will take care of the system integration, connecting the servers, system operations, all those things.
- Nitin Arora:** The large chunky order you received by the AP Housing Society, can you share a little bit what are the payment plans here because what we were looking the earlier tenders was on largely on monthly billing but on a milestone payment and has there been any advances come in given by looking at the balance sheet of Andhra Pradesh today?
- YD Murthy:** First of all, this is a housing project for urban poor for reconstruction. It is under the Prime Minister Awas Yojana. So in these projects, the subsidy components from the Government of India is coming, something like 1.5 lakhs and the state government will provide a matching subsidy of about 1.5 lakhs and the allottee whoever is getting this house he has to arrange it for the balance say 1.5 lakhs or 2 lakhs, the approximate cost of the housing unit will be something like 4.5 to 5 lakhs. The government has talked to the banks and arranged for a loan for the allottee. So the allottee has to bring only about 10-15% of the total project cost as his share of contribution. Now, the project will be developed on the land given by the Government of AP, they have identified the lands, they are handing over the lands to us and also the payments will be done by the Government of AP by getting the subsidies from the central government, #1, providing subsidy out of the budget allocation by the Government of AP and also the individual housing loans taken by the allottees for procuring the house. So we do not see any payment difficulties. There is a mobilization advance which is 10% of the project cost and also we will have to provide performance guarantees, etc.
- Nitin Arora:** Lastly, to sum it up, you do not see any challenge to your margin guidance of about 9% given Water, Irrigation still in the large chunky in your order part?
- YD Murthy:** It looks feasible to us, not on a quarter basis, but for the year as a whole, 9% EBITDA margin we are confident we will be able to achieve.
- Moderator:** Thank you. The next question is from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.

- Subramaniam Yadav:** Just to understand the loans and advances part again, you have given Rs.47 crores this quarter to NCC Urban because we were expecting around Rs.100 crores yearly from NCC Urban back to NCC, right, so instead of that we are increasing our exposure to NCC Urban. What may be the reason for this?
- YD Murthy:** No, they had a temporary mismatch in their operations. Just to support the subsidiary we have given. As you rightly said, it is basically temporary in nature and the Rs.100 crores that on sale of the property, whatever they are likely to get the return, so that we will adjust it out. So on a net basis, the loan taken by NCC Urban from the parent will also come down by about Rs.50 crores or so.
- Subramaniam Yadav:** This is temporary, and there would not be further infusion of fund, right?
- YD Murthy:** No.
- Subramaniam Yadav:** In any other subsidiary, sir?
- YD Murthy:** We are not planning any such things.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Sir, just my question is again on the usual data that you provide on the subsidiaries. So could you just provide us the numbers for the different subsidiaries the revenue and PAT number for the quarter?
- YD Murthy:** No, we do not have the subsidiary numbers with us, because we have not gone for consolidation as I was mentioning in my opening remarks. What the board has considered and approved is the standalone numbers.
- Vibhor Singhal:** So we do not have the revenue or PAT number even for let us say a couple of subsidiaries?
- YD Murthy:** We do not have.
- Vibhor Singhal:** Apart from the Rs.22,000 crores order book that we have, any other L1 that we had at the end of the quarter?
- YD Murthy:** In the first two months of the second quarter, we already bagged orders worth L1 and all, maybe we have not got the Letter of Intent, etc., Nearly Rs.2,500-3,000 crores are likely to come in the second quarter.
- Vibhor Singhal:** In this quarter we also had exceptional gain of around Rs.12.5 crores. What was this pertaining to?

- YD Murthy:** That is one property is there, called SMP Projects in Chennai where NCC was holding only about 10% stake where we invested about Rs.7 crores of our shares of investment, that we sold off, generating a profit of Rs.12.42 crores.
- Vibhor Singhal:** Any change in guidance of revenue for the full year... we were kind of expecting around 8-10% of top line growth?
- YD Murthy:** We are looking at 10%. First quarter we done only 5%, nevertheless going forward the guidance can be achieved, but again from 1st July onwards, GST is in place, that is likely to depress our second quarter revenues because certain issues have to be sorted out with various government agencies, but it is only temporary aberration but year as a whole we stick to our guidance of 10% top line growth.
- Vibhor Singhal:** Any word on the early completion bonus from that Agra-Lucknow project that we have completed?
- YD Murthy:** Yes, our claim is pending with the government, they are taking a view on that, not only us, various other contractors who are eligible for bonus, the decision is still pending.
- Vibhor Singhal:** Do you not think the change in government might basically rule that our and they might not honor that commitment?
- YD Murthy:** It is a part of the contract, it is very much input in the contract document which the government signed, which we have signed and three-year contract, we have completed two years, we are eligible for a bonus. I hope the government agencies will honor the contractual obligation.
- Moderator:** Thank you. The next question is from the line of Nilesh Bhaiya from Macquarie. Please go ahead.
- Nilesh Bhaiya:** My question is on the revenue side. Given that we have started to see such a strong order inflows, at what point of time the company management thinks that the focus on revenue growth should take priority over the balance sheet?
- YD Murthy:** First of all, if you see the standalone book-to-bill ratio for NCC was a bit depressed for the last year as well as at the end of FY'17, it was a cause for concern not only for the investors but also the management. Now, things are improving nicely for us which is a good sign. As far as the capabilities of the company are concerned about executing the orders, if the right environment is given, right support is given, land is given, all approvals are in place, we can execute faster and quicker and as we have demonstrated in the road project, nearly Rs.1,700 crores road project, the timeline given is three years, but we are able to complete in two years. So the capabilities and execution capacity of the company is undoubted, definitely, the skill sets are there. If the right environment is created by the government agency and also they take

care of the approvals and land acquisition, and also the payment cycle should be robust, if all these things are happening, we can definitely improve our top line as well.

Nilesh Bhaiya:

So just if I have to kind of rephrase my question in the current existing order book that we have, how much of these projects where you think you are fully equipped to start execution or are there any pockets of concern where you do not think approvals are in place? Again, a related thing is that now you are early part of the year, you are almost prime to get Rs.9,000-10,000 crores kind of orders and some of them are short cycle orders like the Building project in U.P. which has to be completed in 15-months, is a 10% growth again slightly more on the conservative side or we should expect that maybe in FY'19 we see very strong rebound from this 10% levels?

YD Murthy:

You are right, I agree with you, particularly the AP order is looking good, the land is already acquired by the government and given to us, we started execution work at multiple locations and these are not very high technology or anything, these are simply dwelling units, ground plus three without lift and all, so we are nicely positioned to execute them faster and quicker and definitely we are trying to complete them in 15-months, that is the time schedule given to us. So definitely they should add nicely to the top line of the current year. But nevertheless, we believe whatever guidance we have given at the beginning of the year that is 10% growth, we will stick to that. Already there is a slippage in the first quarter is growing at 10%, we have grown only at 5%, but we will make it up as we go forward.

Moderator:

Thank you. The next question is from Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah:

Sir, your average borrowing cost seems to have fallen because debt increase and you are seeing a lower interest cost on QoQ basis. So any reduction that you have seen during the quarter in terms of the borrowing cost?

YD Murthy:

Borrowing costs are coming down. One important development is our external rating has improved; now we are rated at (A-) by two rating agencies – ICRA and Fitch Ratings, that is India ratings. With these things in hand, we approached our bankers and requested for looking at pricing improvement for NCC. Already some banks have done it, others will also follow suit. So definitely the finance cost is likely to come down as we go forward. But at the same time, the BG commission, etc., will go up because we are getting more orders, we are giving more EMD guarantees, we are giving more performance BGs, mobilization advance BGs, etc., So it should not bother us. In fact, the BG cost in the first quarter of last year is only Rs.13 crores whereas in the first quarter of the current year is Rs.18.7 crores or so. But, nevertheless, we have shown improvement in the finance cost by about Rs.8 crores for the quarter. So this trend is likely to continue.

Ashish Shah:

What would be the average borrowing cost on the working capital loan?

- YD Murthy:** At the end of the first quarter, it is around 10.7% or so, but it is likely to come down further. Recently, Reserve Bank also cut the policy by about 25 bps, a part of it should be passed on to us by the bankers and also because of our (A-) rating, earlier we were at BBB+, so that also will help us in getting better pricing from the bankers.
- Ashish Shah:** Sir, the AP Housing mobilization advance, would that be interest bearing or that is interest-free?
- YD Murthy:** Yes-yes, interest is about 12% I believe.
- Ashish Shah:** You did not take any risk of the property development as such in that contract, the money to us come from the AP Housing Board, any delay in the payment by the dwellers to the government?
- YD Murthy:** No, it is a cash contract, I have to execute, it is a government agency, and I submit the bills and the bills should be paid within the timelines given.
- Ashish Shah:** It is a monthly billing, right?
- YD Murthy:** Yes.
- Moderator:** Thank you. The next question is from Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, just if you could help me with revenue breakup for the quarter? Second, I think in your opening remarks you said you raise bills because you want to avoid implication of GST in this quarter. So, if you could quantify how much of that amount could be there in the revenues in this quarter because of this early billing because you want to avoid GST that could have impacted the numbers in second quarter?
- Sivramkrishna:** From the Building division, Rs.978 crores, Road division is Rs.78 crores, Water and Environment is Rs.636 crores, Railways is about Rs.35 crores, Electrical division Rs.179 crores, Irrigation division is Rs.74 crores, Metals is about Rs.5 crores, Power is Rs.12 crores, from International division is Rs.133 crores, total put together is Rs.2,130 crores.
- Prem Khurana:** Nothing from Mining?
- YD Murthy:** Mining there is no turnover, mining activity has not started by mine developer operator, but that will be done in SPV, so it will not come in the standalone balance sheet. To your second question, yes, we raise more bills in the first quarter and that is why the work-in progress number has come down and the receivables number has gone up. But most of the payments we have received already in July or August and definitely it is going to pan out as we go forward.

- Prem Khurana:** So as I see it, the growth we have seen in the first quarter almost around 6%-odd on YoY terms in revenues, part of it is because of this raising bills earlier than what we were anticipating if the GST had not come through by this time, so we would not have raised this bills?
- YD Murthy:** Our aim is always to bill the claims and see that we get the payment. There is no dispute about that. But because of the GST, there is an urgency to bill it on or before 30th June which we have done. So it is not a very abnormal thing or anything. But what is interesting is what will happen in the second quarter, because of GST we are carefully examining, we are taking the help of experts particularly in some cases where service tax exemption was there earlier for government projects and now with GST regime from 1st July, how the client is going to reimburse us as far as the GST is concerned. We will take a stand there because earlier service tax is not there in the particular government project. So now GST also will not be there. So there is not much clarity. We are waiting for that. But it is only again a temporary aberration, not much to worry about.
- Moderator:** Thank you. The next question is from Nitin Arora from Aviva Life Insurance. Please go ahead.
- Nitin Arora:** Mr. Murthy, you talked about not giving the numbers of the international subsidiaries. I can understand it. But can you give it as a sense that the kind of losses we started making, because of the Batinah Expressway, has it started coming down for us just a little bit sense on that?
- YD Murthy:** Yes, international operations we booked a loss last year of about Rs.100 crores plus, but the losses in the current year will definitely come down. Good thing is most of the projects have been completed except Phase-2 of Batinah Expressway, Phase-1 is completed and handed over to the client. Also, the Quriyat Villa Project is 96% complete, only 4% is there. I cannot guess the losses in the current year in the international operations except saying that it will be much less than what it was last year.
- Nitin Arora:** So will that incrementally for our side I can understand the first quarter we have increased the L&A to support the international part, but that also includes that on an overall basis even when we are going to sell the real estate land and we are going to get the cash in to the parent company, by that time your incremental outflow to your international subsidiaries would reach Rs.140 crores or Rs.130 crores, it ultimately gets net off at the end of the year I am saying but to support them...?
- YD Murthy:** No, we are not planning any further outflows into our international subsidiaries.
- Nitin Arora:** That would be the reason where you become a net off, you do not make any losses. That should I take in the international part now from...?
- YD Murthy:** The project is going on, the project suffered some losses last year, the Phase-1 is completed, Phase-2 is under implementation, I understand it will be completed by May 2018, that means

by March 2018 bulk of the projects should have been completed, but I cannot guess what is the kind of quantum of loss or quantum of profit at this point in time.

- Moderator:** Thank you. The next question is from Debashish Mazumdar from Edelweiss. Please go ahead.
- Debashish Mazumdar:** Of this Rs.10,100 crores of Building orders, can you please segregate this for us what is the kind of Metro order, what is the Government order, what is the private real estate order if you can?
- YD Murthy:** Right now that bifurcation is not there, but Metro substantial orders are there, particularly Nagpur Metro about Rs.800 crores we are executing and Pune Metro is there, about Rs.500 crores and Bengaluru Metro some order is there. Bulk of the orders in the Buildings division comprising of various government orders – UP Housing Board in Lucknow, we are doing, then AP, we have already discussed nearly Rs.2,000 crores, the real estate orders on the private sector or some of the subsidiaries are not there in the order book as of now but public sector as I told UP Housing Board orders are there.
- Debashish Mazumdar:** So this Rs.10,100 crores order book is largely executable over the period of 2.5-3-years?
- YD Murthy:** Yes.
- Moderator:** Thank you. The next question is from Anish Hariprasad from Antique Stock Broking Limited. Please go ahead.
- Anish Hariprasad:** Sir, can you just give me update on the arbitration money that we were expecting to receive in Q1 somewhere around Rs.21-22 crores that you ...?
- YD Murthy:** We already received Rs.20.84 crores and it is adjusted in the books towards loan repayment, that has been done already.
- Anish Hariprasad:** Any update on the Metro land?
- YD Murthy:** It is not land, Bengaluru is a commercial building which the Bengaluru Metro wants to take over from us. I think the deal got delayed mainly because of the slowdown in the real estate sector as I was mentioning in the beginning. But the Bengaluru sale as well as Kakinada land sale, both are likely to happen in the current year before December 2017.
- Anish Hariprasad:** Reason for the higher tax rate this quarter...we almost have 34.8%?
- Sivramkrishna:** Because of last year some 80IA deductions are there, some reversal of provisions are there, so that maybe one reason for higher rate and another sale of investment is there, that capital gains will attract.
- Anish Hariprasad:** So going forward what is the tax rate we should assume – 24-25% should be the ...?

- YD Murthy:** Around 30%.
- Moderator:** Thank you. The next question is from Salil Desai from Premji Invest. Please go ahead.
- Salil Desai:** One clarification on the backlog numbers; when you say that you have not considered consolidated results in the quarter, the backlog you have given and I am assuming is the consolidated on our order backlog right?
- YD Murthy:** Yes, that is right.
- Salil Desai:** From this if I exclude International and Mining, that should be what your ...?
- YD Murthy:** Standalone order book and also the standalone turnover.
- Salil Desai:** Sir, any particular reason why Mining there is nothing which has happened in the last quarter?
- YD Murthy:** There are some delays, actually the MDO, the mining license is in the name of the mine developer and operator, and the earlier person whose order is canceled subsequently. So the owner that is West Bengal Power Development Corporation has applied for a mining license in their own name which is pending with the Ministry of Coal and once that is received by them, they will give us the notice to proceed and most probably the operations will start in the third quarter.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** I just wanted to elaborate a bit on Nitin's question. So basically sir, just to take on the foreign subsidiaries, especially the Muscat and Dubai ones, so what we intend to understand is that when you say that we will not be providing any support to subsidiaries, at the same time you also mentioned that you are expecting around Rs.100 crores from the sale of land at Bengaluru and Kakinada. So when you say that you will not be providing any support to the subsidiaries, does that mean you might be required to provide Rs.100 crores of support, but that will be net off against Rs.100 crores of land sale, so then it will be zero or you are trying to say that we will not provide any support, and there could be additional Rs.100 crores of cash inflow into the parent company?
- YD Murthy:** Yes, yes, what you said latter is correct. One is NCC Urban has taken loans from the parent as you all know and they are trying to monetize some land parcels and generate cash and repay the loan in phases. So that part will happen. Actually, international subsidiaries we are not providing any cash support. Now we have to look at their balance sheet and what investments we have done earlier, what loans we have done earlier, how much of haircut we have to take, all that will emerge by the end of the current financial year.

- Vibhor Singhal:** Just to get it again right, so net-net we are saying that we will not provide any support to the subsidiaries and we should get Rs.100 crores of net cash inflow into the parent company via the land sale?
- YD Murthy:** That is right.
- Vibhor Singhal:** What will be the net working capital days at the end of the quarter?
- YD Murthy:** Our working capital days are about 122 at the end of the quarter. In fact, the debt collection period is about 89-days.
- Vibhor Singhal:** This does not include the retention money that we have had to basically add because of IndAS option?
- YD Murthy:** Yes.
- Vibhor Singhal:** 89-days is excluding the retention money.
- YD Murthy:** Absolutely.
- Moderator:** Thank you. The next question is from Subramaniam Yadav from Subhkam Ventures. Please go ahead.
- Subramaniam Yadav:** Is there any slow-moving order in our order book of Rs.2000-odd crores?
- YD Murthy:** I can tell you with a lot of confidence and the certainty we do not have any slow-moving orders. On the contrary, we proactively remove any slow-moving orders in the order book. So out of this Rs.22,000 crores, Rs.6,000 crores is received only in the first quarter and balance Rs.16,000 crores are all orders that are moving and that are executable.
- Subramaniam Yadav:** Further in Q1, you said you have booked a lot of WIP and that has resulted into higher receivable days, right?
- YD Murthy:** Yes.
- Subramaniam Yadav:** So is that possible because you have booked more revenue in Q1, so Q2 would be a subdued kind of quarter?
- YD Murthy:** Not because of Q1, but because of the inherent nature of Q1, mainly because if the rainy season, construction work is hampered and more importantly because of GST, certain taxes issues are to be resolved from the client side, particularly some of the projects because it is a government project, particularly irrigation and water supply, the service tax exemption was there. Now, that project when I bill it is say now in July whether the government will give me GST exemption in view of service tax exemption given earlier. These are the issues we are

sorting out, not only us, all the construction companies. So based on all these factors, in the second quarter current year, the top line may not be very rosy, that is a point I want to make.

Subramaniam Yadav: Sir, can you quantify the quantum because it seems to be higher number?

YD Murthy: No, it is very difficult at this stage, we have got large number of projects and frankly I do not have the number.

Subramaniam Yadav: Because of the GST, many companies are telling that margin can take hit because of this. So is it similar in our case also?

YD Murthy: No, we have done an exercise. Now we are subjected to 18% GST, earlier, anyway we are paying 15% service tax. Now the 3% extra you have to pay but bulk of it is going to be adjusted in input tax credit, that is excise duty that we will claim on purchase of raw materials if we have the bills. So on a net-net basis, it may not impact much as far as the tax issue is concerned.

Subramaniam Yadav: Because of that you are guiding 9%?

YD Murthy: Yes.

Subramaniam Yadav: Some color on interest cost this year, because earlier you have guided for Rs.360-370-odd crores. Now you say that there has been some rating revision done. So is the total interest cost likely to come down a bit?

YD Murthy: No-no, after taking into account, the rating revision and the expected improvement in the pricing, we guided for Rs.360-370 crores and last year we have achieved about Rs.395 crores of finance cost for the year as a whole which itself is a reduction of nearly Rs.113 crores. So current year we are looking at finance cost coming down by about Rs.20-30 crores.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Ms. Divyata Dalal from Systematic Shares and Stocks Limited for closing comments.

Divyata Dalal: I thank the management for giving us an opportunity to host this call and all the participants to log in.

YD Murthy: Thank you, all.

Moderator: Thank you very much, sir. Ladies and gentlemen on behalf of Systematic Shares and Stocks Limited, that concludes this conference. Thanks for joining us. You may now disconnect your lines.