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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
M U M B A I – 400 001.

Dear Sir(s),

Scrip Code : NSE: NCC & BSE : 500294

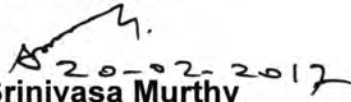
Sub: Transcript of the conference call.

Please find enclosed herewith the transcript of the conference call that took place on 10th February, 2017 for discussing about the Q3 of FY 2016-17 results of the Company. Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.


M V Srinivasa Murthy
Company Secretary & EVP (Legal)

Encl : As above



“NCC Limited Q3FY17 Results & Business Outlook
Conference Call”

February 10, 2017



ANALYST:



**MR. SHRAVAN SHAH - DOLAT CAPITAL MARKETS
PRIVATE LIMITED**



MANAGEMENT:

**MR. Y.D. MURTHY - EXECUTIVE VICE PRESIDENT
FINANCE - NCC LIMITED
MR. S.V.N. BHANOJI RAO - VICE PRESIDENT
FINANCE - NCC LIMITED**

Moderator: Good day ladies and gentlemen, welcome to NCC Limited Q3 FY'17 Results and Business Outlook Conference Call hosted by Dolat Capital Markets Private Limited. As a reminder all, participant lines will be in the listen only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during this conference call please signal for 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. Shraavan Shah - Senior Research Analyst from Dolat Capital. Thank you and over to you Sir!

Shraavan Shah: Thank you Mallika. Good afternoon everyone, we welcome you all for the Q3 FY'17 Earnings Call of NCC Limited. Today from the management we have Mr. Y.D. Murthy - Executive Vice President Finance, Mr. S.V.N. Bhanoji Rao - Vice President Finance, and also Mr. R.S. Raju - Executive Vice President Finance and Accounts. Now I handover the floor to Mr. Murthy Sir for opening remarks post which we can have Q&A session. Over to you Sir!

Y.D. Murthy: Thank you Shraavan. Good afternoon participants, I am Y.D. Murthy from NCC. I will briefly take you through the Q3 results of the company as well as first nine months of the current financial year, after that we will have an opportunity to answer your questions, I request all the participants to limit their question not more than two per participant so that other participants will also have an opportunity to participate in the question and answer session.

Now, I would brief you about the Q3 results. First the order book, as you are aware we started the year FY'17 with an order book of 17,655 Crores. During the first nine months of the current year, we have got fresh orders of 9312 Crores and we have executed orders for 6501 Crores, so the order book at the end of the nine-month period that is 31 December 2016 is 20,466 Crores. As far as the Q3 is concerned, up to Q3 we received up to about 6262 Crores that is on an NCC standalone basis and also we booked a mining order of about 3050 Crores where we received the letter of intent from the client and we already formed a subsidiary company SPV for executing the mining order. So the total orders for nine-month period is 9312 Crores. This is in line with the annual order accretion target of about 12,400 Crores. We are confident that we will be able to hitting the target nevertheless the slowdown in the economy and also some slowdown on account of demonetization.

As far as the order backlog is concerned at the end of the nine-month period as I told you the total order book is 20,466 Crores out of which buildings 7949 Crores that is 39%, roads 456 Crores that is 2%, water and environment 3659 Crores that is 18%, railways 176 Crores that is 1%, electrical 1505 Crores that is 7%, irrigation 2079 Crores that is 10%, metals very insignificant order, for power again because the order is already executed not much is there, mining about 3050 Crores that is the Pachhwara coal order we received from the West Bengal Power Development Corporation. In international, the order backlog is about 1488 Crores and the total orders are 20,466 Crores.

As far as the orders received are concerned, in the nine-month period, in buildings we received 3102 Crores of orders that is 33% of the fresh order received, roads 216 Crores, water and

environment 629 Crores, railways nil, electrical 935 Crores, irrigation 1380 Crores, metal nil, power nil, and mining 3050 Crores, total is 9312 Crores. As far as the execution is concerned, buildings have done a top-line of 2528 Crores in the ninth-month period that is 39%, roads is 761 Crores that is 12%, water and environment is 1620 Crores that is 25%, railway were about 1%, electrical 344 Crores that is 5%, irrigation 184 Crores that is 3%, metals 32 Crores, power 202 Crores, and international 766 Crores.

Now, we go to the turnovers recorded by the company in the Q3 and in the nine-month period of the current financial year. As far as the top line is concerned, we have recorded a turnover of 1942.9 Crores, EBITDA of about 174.22 Crores which is resulting in an EBITDA margin of about 9.2%. PAT of 58.27 Crores, PAT margin of 2.99%. A comprehensive income that is nothing but foreign exchange fluctuation is also included that is about 7 Crores, so with that it become 65, any way stick to the PAT margin that is 58.27 which is slightly better than 57.03 recorded in the Q3 of the previous year. As far as the turnover is concerned, there is a dip in the turnover by about 7.5% to 8% that is mainly because of slowdown in the economy and also some slowdown in execution on account of demonetization. Nevertheless, going forward this will improve. EBITDA also had come down slightly last year Q3 was 185.5 Crores, now it is 174.22 Crores. As far as the nine-month period is concerned, top line is 5752.65 Crores as against 5837 in the nine-month period of the previous year. EBITDA is 111 Crores, EBITDA margin is 8.8%. PAT is 161.79 Crores, PAT margin is 2.8%.

As far as the receivables are concerned, the receivables have gone up to about 1586 Crores at the end of 31/12/2016 and the debt collection period is about 76 days.

The loans and advances, the cash-related working capital demand was 1906.45 Crores, bill discount is 55 Crores, long-term loans are 65.69 Crores, machinery loss 15.56 Crores, total debt on the books of the company is 2042.7 Crores.

As far as the finance cost is concerned, there is a reduction in the finance cost by about 20 Crores in the Q3. We recorded a finance cost of about 101 Crores as compared to 120 Crores in the Q3 of the previous year. Again for the nine-month period, the finance cost is 293.5 Crores as compared to 378.2 Crores in the nine months of the previous year, thereby resulting in savings in the finance cost of nearly 85 Crores and also the finance cost as a percentage of the turnover has come down to about 5.2%.

We have booked another income of 39.29 Crores in the Q3 as compared to 42.25 Crores in the Q3 of the previous financial year. Bulk of it is on account of interest income booked by our subsidiary companies. Loans and advances to subsidiaries and associates have come down substantially to 909.7 Crores as compared to 1365.3 Crores in the previous year. Likewise, investments in the subsidiaries and group companies have come down to 977 Crores as compared to 1156.8 Crores in the previous year. Hence the group exposure of NCC to its subsidiary and associates by way of investment and by way of loans and advances has come down from 2522

Crores to 1886.7 Crores. This is mainly because of demonetization of two road assets and one power asset, and also some loans repayments done by our subsidiary company.

The retention money in the books of the company at the end of the Q3 is about 1625 Crores whereas the mobilization advance is about 517.3 Crores. Cash balances are 85.9 Crores and inventory/raw material is 390.7 Crores, work-in progress is 1198.8 Crores, so to put together is about 1607 Crores. The receivables total is about 1585 Crores. This is as far as the management comments are concerned for the Q3 results. Now, I request the participants to ask their questions. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on your touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are also requested to only use handsets while asking a question. A reminder to the participants, please restrict your questions to two at a time. Thank you. We have the first question from the line of Nitin Arora from Aviva Life. Please go ahead.

Nitin Arora: Sir I just wanted to understand of the mining order, which you have booked in your standalone order intake. How you are going to book the revenues? Are these revenues get booked in the standalone now or it comes in the consolidated books?

Y.D. Murthy: Actually as per the mining contract which we have won we have to necessarily form an SPV and the SPV has signed the mining contract with the client that is West Bengal Power Development Corporation. In the SPV, we have 51% stake and our partner BGR Infra has the balance 49%. Now the orders will be booked in the subsidiary company, the execution will also happen in the subsidiary company, but out of the turnover booked by the subsidiary company about 51% we are booking of the top line and against 51% of the bottom line in our books in consolidation. So you are right, the mining order will not come in the standalone books, but what we are trying to do is in the order book that we have presented we are actually concentrating on the total construction business of the company that is why the international subsidiaries orders are also given. Now the mining order also because it is going to be executed through a subsidiary company that is also provided there.

Nitin Arora: Sir what is the quantum for the mining order, which you have booked in the order intake this quarter?

Y.D. Murthy: 3050 Crores.

Nitin Arora: Okay, if I exclude that the order intake for my base business is 1570 Crores?

Y.D. Murthy: You are absolutely right.

Nitin Arora: Any other orders which you have received in the first January and February?

- Y.D. Murthy:** We have become L1 for nearly 3000 Crores of orders. Some orders are received, the letter of intent is in our hands and some are yet to be received that will be reflected in the Q4.
- Nitin Arora:** But does that include Lucknow, Bhaliya I mean 3000 Crore when you say that?
- Y.D. Murthy:** We have not yet received, but we understand we have become L1 so I will not be able to comment on that.
- Nitin Arora:** Sir just last question, when I look at your bid I think you are L1 I would say in Nalanda University building order. The way we were looking bids we were thinking that in the building segment the bids would start getting a little rationalized. I understand there is UP election and Delhi gets phased out, then the demonetization impact came in. When I look at your bid which you have bid again Shapoorji you are very lower, you almost had a 14% difference than what the L2 Shapoorji was in a 580 Crore project. So do you think it justifies with respect to the margins going forward?
- Y.D. Murthy:** We are one of the top building contractors who do not bid excessively, we are bidding very conservatively, but we were definitely getting good orders and as you know the building segment is almost 40% of the order book and in fact it is like the backbone of the company. As far as the Nalanda order is concerned, I will not be able to comment on that because I do not have all the facts with us, but except that when we bid we see that we get the decent margins, definitely yes.
- Nitin Arora:** Thank you very much Sir. I will come back in the queue for more questions.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir I just wanted to know are we going to revise our revenue guidance down now since Q3 has been muted?
- Y.D. Murthy:** Yes, Q3 is muted and also the slowdown in the economy and also in our execution is likely to continue in the Q4, most probably we end the year FY'17 with a flattish kind of a top line. There may not be much growth compared to the previous year, but we would like to clarify it is one of a kind of a thing based on the order accretion that we are seeing and based on the future order pipeline that is available and looking at our strategic location as one of the top contractors in the country, we are very confident FY'18 onwards a top line growth of 10% to 12% is eminently possible for the next three years.
- Parikshit Kandpal:** Sir in the current order book what will be the exposure to the Telangana and are we seeing any problems related to payment for the irrigation projects because there has been some news by top line that Telangana Government is finding it difficult to pay the contractors on time?

- Y.D. Murthy:** In Telangana we have two sets of orders, one is the water grid project, we have got nearly 3000 Crores of orders and execution is also happening. In fact, the first order is received 18 months before. As far as the water grid projects are concerned, the Government of Telangana has tied up the debt component with NABARD and banking system, and the funds are available with the government. We have not seen any payment delays as far as the water grid projects are concerned. As far as irrigation is concerned, we have only one project. There also we have not so far seen any slowdown in payments by the government.
- Parikshit Kandpal:** Okay and Sir on this investment, the total exposure to loans and advances and investment to subsidies of 1886 Crores, how much will be towards the real estate in this?
- Y.D. Murthy:** On the debt side, 420 Crores is the loan taken by NCC Urban. On the equity side again we invested about 120 Crores on the equity of NCC Urban. Likewise, three to four projects are there. The total real estate exposure that is investments as well as loans and advances put together should be in the region of about 1200 Crores.
- Parikshit Kandpal:** Including the NCC Dubai project?
- Y.D. Murthy:** Yes.
- Parikshit Kandpal:** So Dubai will be around 500-600 Crores exposure in Dubai project?
- Y.D. Murthy:** No. It is around 400 to 450 Crores, not more than that.
- Parikshit Kandpal:** How do we expect to basically get this money back? How is our real estate monetization as of now in terms of progress towards monetization? Did we receive anything during this quarter? Did we monetize anything during this quarter and what is the pipeline over the next one year, how much we expect to reduce it?
- Y.D. Murthy:** First of all NCC Urban, our real estate subsidiary, they are coming out with a business plan to repay about 100 Crores every year. Last year, they paid about 71 Crores to the parent company. This year also they identified some land parcels for sale and the discussions also progressed quite nicely. By sale of these land parcels, they are likely to get about 130 to 140 Crores, out of that 100 Crores they are planning to repay to the parent company, but because of the slowdown in the economy and demonetization, the real estate deals are becoming a bit slow and our feeling is that it may not happen by March, maybe it will happen in the first quarter for the next financial year. Other than this, other investments in Jubilee Hills, in Tellapur Technocity, NCC Vizag Urban, we are trying to unwind. There will not be any further investments, particularly Jubilee Hills we have gone for a development agreement and the work has started. In the next two to two-and-a-half years we will get our share of the money there. Likewise, we are looking at monetizing the assets at Tellapur Technocity, we have nearly 100 acres of development. We have approached the Government of Telangana for downsizing the development agreement for 100 acres and the matter is under discussion. Once that agreement is downsized, we will be able to start the project

and take it forward. As far as the NCC Vizag Urban is concerned the lands have appreciated actually, but we are looking at developing it over a period of time. Now the lands have become very valuable because Vizag has become the biggest city in the state of Andhra Pradesh and is very close to the proposed software park in Vizag City. We are looking for the right opportunity to develop that parcel of 100 acres. There has been a good improvement as far as monetization of the BOT assets. We have sold on hydropower asset. We have sold one thermal power asset. We have sold two road power assets. We have gone for securitization of one more road asset. Like that, we are actually taking back the money we have invested in our subsidiaries. So this trend will likely to continue.

Parikshit Kandpal:

About Dubai, you did not touch the Dubai side?

Y.D. Murthy:

In Dubai, we had a developer who has come on board, discussions are going on and term sheets are signed. The Dubai project on an average size basis we are giving to the other developer. We will not put any further money. The developed area will come to us because we are the owners of the land, on sale most of the money that we have invested we are likely to get back.

Parikshit Kandpal:

Okay. Sir lastly in this L1 order have you included the Lucknow Bhaliya also in this or it is not included in 3000 Crore L1 order?

Y.D. Murthy:

It includes.

Parikshit Kandpal:

Okay, thank you Sir, that is all from my side.

Moderator:

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

Ashish Shah:

Good evening Sir. I may have missed the first five minutes of the call, could you guide in terms of what is the revenue growth target for the current year for the parent company?

Y.D. Murthy:

Yes. We already discussed, because in the Q3 there is a dip in the top line about 7.5% and the Q4 is also looking flattish. So, we are of the opinion that the year as a whole the top line may be flattish as compared to the previous year.

Ashish Shah:

Right, and the margin should be in line with what we have guided earlier about 9% or so?

Y.D. Murthy:

On EBITDA margin also in nine months we have done about 8.8, the trend is likely to continue in the Q4, so most probably we will end this year with EBITDA margin of 8.8%.

Ashish Shah:

Sir this quarter did it include any income or profit from land or anything or this was a purely construction revenue on EBITDA?

Y.D. Murthy:

There is no land sale income in this.

- Ashish Shah:** Right. Sir just coming back on the mining order, when we say that next year we could look at 10% to 12% growth in revenue would that include the 51% share of the mining contract or that is purely on the standalone numbers without the mining revenue?
- Y.D. Murthy:** I am saying it is the standalone number, because mining we are going through a subsidiary company. The mining turnover and mining profits will come only in consolidation, so for the time being we are talking about the standalone turnover.
- Ashish Shah:** Right. This year we have done 9300 Crores of inflow so far, of which 3000 is actually going to be booked in the subsidiary, so we have about 6000-odd Crores of inflow. Do you think that this kind of inflow is enough for us to do this sort of growth or do you think the inflow will accelerate in Q4 and next year?
- Y.D. Murthy:** Yes, definitely. Actually, the order book guidance that we are giving is also for the total construction business of the company. That is why the international book is also included in the construction business because there also we are doing basically the contracting business. So from that angle, what we said is 12,500 Crores of fresh order accretion we targeted for this year and now we already got about 9000-odd Crores, so we believe we are very much on target particularly because in the Q4 already we have got some orders where we have become L1, but the letter of intent yet to be received. So the order intake target for the year as a whole for the entire construction business is going to be achieved and once that is achieved it is sufficient for us to generate good top line growth in the years ahead.
- Ashish Shah:** Right, sure Sir. Last question, have we received all the proceeds for the Bengaluru Elevated asset sale?
- Y.D. Murthy:** For Bengaluru elevated initially we got 77 Crores and about 10 to 15 days back we got another five Crores, so about 82 Crores we have received. Another 28 Crores is yet to be received, our application is pending, maybe we will get it in the next two to three months.
- Ashish Shah:** Sure Sir. Thank you very much.
- Moderator:** Thank you. Next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Thank you for taking my question. My first question was with respect to order backlog. In building vertical we have decent orders available with us, but then how much of this would be from your private residential real estate?
- Y.D. Murthy:** Private residential real estate is almost nil including our own subsidiary. We are not doing any constructional project for our subsidiary NCC Urban, but it includes real estates on various government agencies like UP, we are doing lot of building projects. Earlier we have done some building projects from Sriram Properties in Bengaluru and elsewhere, but nevertheless the building order book the real estate itself is a very insignificant portion.

- Prem Khurana:** Sure. And Sir in your opening remarks you talked about the slowdown that were seen in our revenue booking in this quarter was largely because of demonetization and client asking to go a little slow on execution, so in which segment would this be wherein we have seen this kind of dip which would impact our revenue growth?
- Y.D. Murthy:** First of all when the economy slows down, every sector in the economy also will have an impact slightly more or less, but impact is bound to be there. Now, as far as we are concerned, we have seen that electrical division bill payments was delayed by the client and because the payments are not coming for whatever reason, further execution also we put on hold because we cannot go on pumping our money and go on executing the project when the payments are not coming. Regarding payments also the client has to get some from REC, Rural Electrification Corporation, they are delayed because of the elections in UP, but once the elections are over they are likely to get the money and the execution will also pick up.
- Prem Khurana:** Sure. And just one last if I may, in other income we have seen significant jump on a sequential basis if I were to look at our loans and advances to subsidiaries these have come down, how do you explain this jump on a Q-o-Q basis?
- Y.D. Murthy:** Significant jump is other income?
- Prem Khurana:** Other income is Rs.39-odd Crores, last quarter if I remember correctly was around Rs.28-29-odd Crores, so there was jump of almost Rs.10-11-odd Crores and if I were look at our loans and advance to subsidiaries or associates these seem to have come off.
- Y.D. Murthy:** Actually Q3 of FY'16 the other income is 41....
- Prem Khurana:** No Sir not Q3, I was talking about Q2, last quarter your number was Rs.25 Crores this quarter it is around 39?
- Y.D. Murthy:** We have got one income tax refund, on that about 7 Crores of interest income is there that is reflected in the other income, that is why it is slightly higher compared to the previous quarter.
- Prem Khurana:** Okay, sure, thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Salil Desai from Premji Invest. Please go ahead.
- Salil Desai:** Sir again a question on the order flow, when you say the full year order inflow of 12,500 Crores, is it including 3000-odd Crores of the mining order is that understanding correct?
- Y.D. Murthy:** Yes. What we have done is we have wound up the business plan in the beginning of every year and in that we have projected fresh order accretion of about 12,500 Crores including mining division, but the mining division order in the business plan could be less, maybe 500 Crores or

1000 Crores, but it so happened we got a big order and that is finding a reflection in the order book.

Salil Desai: So incrementally from now until Q4 we would target to receive 3000 order Crores worth more orders, of which already you are saying you are either L1 or got LOI?

Y.D. Murthy: Yes. We are likely to get some more orders, order accretion also is now improving and order award also is increasing, so all these things stand good for us as we go forward.

Salil Desai: So you might exceed the 12,500 Crores numbers?

Y.D. Murthy: It could be slightly more.

Salil Desai: Okay. Sir secondly again the margins in Q3 you have seen such a sharp improvement. What would you attribute this to? Is it mix of orders or is it some gains, which have come through either in cost or in project mix or anything? Is there any particular reason why margins have seen such a sharp improvement?

Y.D. Murthy: As far as the EBITDA is concerned we have reported 9.2 mainly because of improvement in the other income as I explained because of the income tax refund we have got with the interest of about 7.5 Crores. Otherwise, if you see the nine-month period the EBITDA is around 8.8%, which is in line. Actually, for the year as a whole we thought we will reach at 9%, but now that is not likely to happen, we maybe close the year at 8.8%.

Salil Desai: Okay, so in spite of demonetization margins have not been hit in Q3?

Y.D. Murthy: On the contrary the net profit margins are also looking good mainly because we were able to save on interest cost.

Salil Desai: On operating cost, because in spite of demonetization and execution weakness, the margins have actually improved.

Y.D. Murthy: That is I told you, this other income has gone up, it is 20 Crores, in the previous quarter it was 39.3 Crores that has helped the operating EBITDA.

Salil Desai: Okay, thanks.

Moderator: Thank you. The next question is from the line of Vinay Nair from Rare Enterprises. Please go ahead.

Vinay Nair: Sir I just want to get some numbers around order execution this quarter and incremental order book in this quarter, if you can just repeat what you had initially given?

- Y.D. Murthy:** For the nine-month period we have received 9312 Crores of orders and out of these 3102 Crores is building, 216 Crores is roads, 629 Crores is water and environment, 935 is electrical, 1380 is irrigation, 3050 is mining.
- Vinay Nair:** Got it. And Sir, what would be the order execution against each side?
- Y.D. Murthy:** In the nine-month period buildings is 2528 Crores, roads is 761 Crores, water and environment is 1620 Crores, railways is 64 Crores, electrical is 344 Crores, irrigation 184 Crores, metals 32 Crores, power 202 Crores, international 766 Crores, total 6501 Crores.
- Vinay Nair:** Okay, thank you.
- Moderator:** Thank you. Next question is from the line of Indrajeet Bhatia from Macquarie Securities. Please go ahead.
- Indrajeet Bhatia:** Thanks for the opportunity. My first question is on this mining order. What is the execution timeline and if our revenue is going to be equally distributed across the years?
- Y.D. Murthy:** It is a 29-year order, the total order size is yearly 30,000 Crores. Because it is mine that is already developed from the start date we are likely to generate extraction of coal and supply. So in the first year of commercial operation we are targeting about 4 million tonnes of coal supply to that client which would give us a top line of about 360 Crores at the SPV level. Out of that, my share will be about 50%. Now, this 4 million tonnes in the first year we are planning to ramp up to a level of about 15 million in the five-year period. From sixth year onwards every year about 15 million tonnes of coal extraction and supply will take place.
- Indrajeet Bhatia:** So if you could run us through the math behind taking 3050 Crore in the order book?
- Y.D. Murthy:** We have discussed at the board level and we took our share of the order for the first five years of commercial operation.
- Indrajeet Bhatia:** Okay and in terms of margin profile on this order would it be likely to be inline with our other construction business?
- Y.D. Murthy:** It should be better than that. EBITDA we are looking at around 20%, net profit margin should be in the region up to 6% to 7%.
- Indrajeet Bhatia:** Okay. My last question is in terms of our borrowing cost, is there a room for the borrowing cost to kind of further go down? How much of our working capital loans are still at base rate and are not converted to the MCLR base system which would lead that to come down over a period of time?
- Y.D. Murthy:** First of all the blended cost of borrowing is coming down which is a good sign that is again reflected in the finance cost, not only the interest cost but also the bank guarantee commission

and LC commission. As I was mentioning in the opening remarks in the first nine months of the current year we have saved about 85 Crores by way of finance cost reduction mostly on account of interest reduction and BG commission reduction, and also because of repayment of debt thus saving on the interest. We are talking with the banks for further reduction in the interest rates that are applicable and also recently we have cut the MCLR by about 90 bps, by the leader SBI, that is yet to be passed on to us, so further reduction in the interest cost is likely to happen.

Indrajeet Bhatia: Okay, if I may squeeze just one more again regarding this mining order. Are there any penalties if you do not achieve this target numbers in terms of coal production because generally the experience of the private minors has not been very great if you look at the bidding, which got happened, in the mining side?

Y.D. Murthy: I have to check it out. I am not aware of any penalties are there, but I think it is a kind of a take up pay. The other important thing is if suppose I produce coal and the client is not taking it for whatever reason then also I will suffer, I think the take up pay clause is there so that will protect us from any issues with the client.

Indrajeet Bhatia: Okay Sir, thank you.

Moderator: Thank you. Next question is from the line of Vibhor Singhal from Philip Capital. Please go ahead.

Vibhor Singhal: Good evening Sir and thanks for taking my question. Sir my question was on the exceptional loss that we have booked in this quarter of around 7.8 Crores. I think that number is net off the 14 Crores of profit on sale of investments and around 22 Crores of loss of provisions for loans and advances to subsidiaries. Would you just mind explaining the nature of these two things?

Y.D. Murthy: Actually a provision is made for impairment of investments about 45 Crores against that earlier year interest of 22.5-odd Crores has been adjusted and a sale of investment also to the tune of 14 Crores is adjusted, and the balance is this.

Vibhor Singhal: So the 22 Crores of impairment that we have taken for loans to group companies, which group companies are these related to and do we expect this to continue going forward and would that impact the 100 Crores of debt repayment that we expect from the real estate subsidiaries?

Y.D. Murthy: Here I want to clarify again the 45 Crores is the provision and 20 Crores is an exceptional item against that another exceptional income of 27.77 Crores towards interest received for earlier years is adjusted. Profit on sale of investments to the tune of 14.22 Crores is also adjusted and this is the net exceptional item and there is an exceptional income.

Vibhor Singhal: Sure Sir, I just wanted to understand the nature of this impairment of 22 Crores but fine I will take that question off-line, not a problem. Secondly on the order book if I can just dwell a bit more, right now if I look at my standalone business, if I adjust for the 3000 Crores of the mining

order and 1500 Crores of the international orders which will not be booked in the standalone business, so then our order book stands at around 16,000 Crores at the end of the Q3 for the standalone business. Do you think in that order book and that is including let us say the 3000 Crores of order that we are L1 in, would that be sufficient for the 10% to 12% kind of a growth that you are expecting for the next two to three years?

Y.D. Murthy: As far as our order booking is concerned in Q3 not much has happened mainly because of the macro environment and slowdown in the economy, but what we have seen from the January onwards there is a pickup in order accretion. In the month of January itself we have become L1 for nearly 3000 Crores of orders and this pickup is likely to continue, some more orders we are expecting. So, the standalone order book itself is likely to move from a level of 16000 Crores to something like 19000 Crores that should give us enough elbow room to see that top line growth of 10% to 12% is on a standalone basis.

Vibhor Singhal: Cool Sir. Lastly can you just provide us with the revenue and PAT for the subsidiaries the Muscat, Dubai and other subsidiaries?

Y.D. Murthy: Not on consolidation, in fact we do not have them.

Vibhor Singhal: Sure, no problem Sir, thanks for taking my question.

Moderator: Thank you. Next question is from the line of Prabhat Anantharaman from B&K Securities. Please go ahead.

Prabhat Anantharaman: I just wanted to confirm you mentioned the debt as of end of this quarter was 2043 Crores right?

Y.D. Murthy: Yes.

Prabhat Anantharaman: If I look at last quarter also it was round about the same level of 2050 Crores, so there has not been any significant reduction in debt between the quarter and even for this year now you are saying that the 100 Crores on the real estate subsidiary would get delayed to next year and you just have about 20-30-odd Crores to recover from the Bangalore elevated toll way. Sir would you want to give us the level of how much you will maintain the debt? If I am correct in the last call you had mentioned that you will try to get the debt back to the FY'15 level of 1900 Crores?

Y.D. Murthy: Yes, the difference is only about 100 Crores, it is quite possible, and also in this quarter we are likely to pay long-term loan about 37.5 Crores, it is falling due for payment on 31 March, 2017 and also we have a bill discounting outstanding of 55 Crores as on 31 December that also likely to be paid in this quarter. We are almost there, so 1900 Crore should not be a problem, and also one more important thing is most on the clients because the annual budgets and annual allocation of funds are likely to be closed by 31 March and they will actually pay our bills faster and quicker in the second half of the March month, so from 15 March to 30 March we will get a lot

of cash flow which will be parked in our cash-based account that itself will bring down the debt outstanding at the end of the year.

Prabhat Anantharaman: Okay and Sir my second question is the tax rate for this quarter maybe could be one of thing much lower at 24%, so any specific reason for that?

Y.D. Murthy: I do not have the details right now. I will come back to you on this.

Prabhat Anantharaman: And Sir one last question, would the management like to give the order inflow guidance for FY18?

Y.D. Murthy: We will work out a detailed business plan and present it to the board, that is likely to happen in the month of April and then we will give the guidance.

Prabhat Anantharaman: Okay that is it from my side Sir. Thank you.

Moderator: Thank you. Next question is from the line of Divyata Dalal from Systematix Shares. Please go ahead.

Divyata Dalal: Congratulation Sir on a decent set of numbers. Most of my questions have been answered. I just wanted to understand the total other income of around 39 Crores for this quarter how much would be the cash realized?

Y.D. Murthy: I think about 50% is cash realized.

Divyata Dalal: Okay fine Sir, alright, thanks a lot.

Moderator: Thank you. Next question is from the line of Nitin Arora from Aviva Life. Please go ahead.

Nitin Arora: Sir just one clarification, the income tax refund what you stated is mentioned in your other income not in the revenue, the 39 Crore other income that is where you are saying...

Y.D. Murthy: No, the interest paid on the income tax refund is taken as other interest income.

Nitin Arora: Okay that is in the 39 Crore number?

Y.D. Murthy: Yes.

Nitin Arora: Okay, there is nothing booked on the revenue part?

Y.D. Murthy: No.

- Nitin Arora:** Okay. Sir coming back to the tax rate now how should we build in, I mean we are getting quite lower in this quarter, so is it just one of thing and we will be normalizing our tax rate going forward or some deferred tax being taken here?
- Y.D. Murthy:** Now GST is likely to come, so we will examine. Actually what had happened is some of our water pipeline projects where the work contract sales tax is not there, and it is exempted. Their contribution is substantial, actually the tax rate at the company level is coming down that is one reason I can give you, but as the some other gentlemen also asked we will come back to you with full details.
- Nitin Arora:** Okay. And Sir can you also share your average borrowing cost for the company?
- Y.D. Murthy:** The average borrowing cost, the blended cost is around 11.25%.
- Nitin Arora:** And you see this going another 50 basis points down?
- Y.D. Murthy:** I cannot give a number, it will definitely go down.
- Nitin Arora:** Sir just last thing on the other income, if we include the 7 Crore number the interest part, 30-32 Crore are sort of sustainable other income on a quarterly basis we should be working it?
- Y.D. Murthy:** Yes, you can say that. There again you have to see some of our subsidiaries where there is a stress at the subsidiary level we stopped booking the interest income. In fact we are moving in the right direction because we have taken a pragmatic view, but I think per quarter at least about 30 Crores will be there.
- Nitin Arora:** And Sir there was one more MDO bid which got opened and you were bidding with BGR, has that bid come in your favour now?
- Y.D. Murthy:** We understand we have become LI, but we have not got the letter of intent. It will take sometime.
- Nitin Arora:** Okay Sir, thank you very much.
- Moderator:** Thank you. Next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir this Lucknow expressway project is over from our side?
- Y.D. Murthy:** Yes, already over and we are eligible for their bonus also. We are working on that I think the elections have come in the way, but definitely we will get bonus on that.
- Parikshit Kandpal:** But the bonus will be honoured if the new government comes in, so contractually they are bounced to give you bonus?

- Y.D. Murthy:** Contractually they are bound to give Sir. Not only for us, for various contractors. It is a very prestigious project. It is already given in the contract. It is a project, which is to be done in 36 months, we have done in 24 months and the clause is very clear and we believe we are on a strong wicket as far as bonus is concerned.
- Parikshit Kandpal:** Sir, a lot of our orders in this year have been dependent on the Telangana Government and in the new budget there has been a huge focus on roads. We have been lacking in terms of getting new orders in the road segment. I just wanted to know your outlook over the next year basically gaining around 10,000 or 12,000 orders, so which will be the key segment are we looking at incrementally? Will the road be a major chunk of orders next year in the wake of flowing orders from the Telangana Government?
- Y.D. Murthy:** As I said we are working on the business plan, so I cannot spell out where it is going to be there, but directionally the road segment in the order book is likely to go up further and in fact we got some orders in the road segment from the Government of Andhra Pradesh for the new capital city roads and likewise some more are expected. What we are looking at is actually there is intense competition in the cash contract orders of NHAI. We are also participating, but we are maintaining good bidding discipline because we want to protect our margins. Going forward we are confident that the order flow will be there in that segment also.
- Parikshit Kandpal:** And your outlook on HAM project, couple of quarters back you said you are evaluating?
- Y.D. Murthy:** We are looking at positively and we are looking at bidding for HAM projects and maybe we will take up one or two HAM projects.
- Parikshit Kandpal:** Lastly, if you can give Capex guidance for this year, how much you have done and how much is balance to be incurred and what will be that number?
- Y.D. Murthy:** Not much, about 50-60 Crores of Capex is there so far and it may not go beyond 75 Crores as far as this year is concerned.
- Parikshit Kandpal:** So we maintain similar kind of momentum next year also?
- Y.D. Murthy:** Next year again business plan we will see and also the order flow and requirement of machinery, all those things we will work out.
- Parikshit Kandpal:** Okay Sir. That is all from my side. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Sir just a minor clarification. The exceptional item is pertaining to the Bangalore elevated asset sale or some other asset?

- Y.D. Murthy:** What is the amount that you are talking about?
- Ashish Shah:** Net exceptional loss of about 8 Crores, it is in two parts, so there is a profit on sale of about 14 Crores and there is a provision for loans and advances to group companies of 22 Crores, the net impact is 8 Crores negative, so I am just trying to understand to which asset does this relate?
- Y.D. Murthy:** No, we do not have the details I think. We will come back to you offline; I will help you with this.
- Ashish Shah:** Sure, but just overall basis do we have any provisioning to be done for any of the assets you sold whether western UP or Bangalore, is everything written off or provided for anything still left?
- Y.D. Murthy:** Provisioning are being done, but then what happens is it will come in the consolidated balance sheet, because these investments are done through NCC Infra, already everything has been done.
- Ashish Shah:** Okay, so you are saying this may not actually relate to asset sale of the Bangalore because there might appear in the consolidated accounts?
- Y.D. Murthy:** Absolutely.
- Ashish Shah:** Sure Sir, it will be helpful if you can just clarify.
- Y.D. Murthy:** Yes, I will clarify it offline.
- Ashish Shah:** Thank you very much Sir.
- Moderator:** Thank you. I would now like to hand the conference over to Mr. Shravan Shah from Dolat Capital for his closing comments.
- Shravan Shah:** Sir if you do not mind can I just ask you one last question? On the working capital front, what are our overall working capital days and how do you see in FY'18?
- Y.D. Murthy:** As I mentioned in my opening remarks, the debt collection period has slightly gone up, earlier it was 70 days, now it has gone to 76 days. Nevertheless we are very much within the limit of 90 days that is the ballpark number we have for debt collection period. The increase in the debt collection period is mainly on account of delay in payment of our bills in the collection division that is a temporary kind of a thing, now that the UP elections are likely to come over in the next month and anyway the financial year is also closing by 31st March, so all those payments are expected after the results are declared and the debt collection period is once again likely to improve. We are carefully watching the situation and definitely in FY'18 also similar levels of working capital days we would like to maintain.

- Shravan Shah:** Thank you. We thank the management of NCC for giving us the opportunity to host the call and also we thank all the participants for participating in the call. Thank you very much. Sir would you like to make any closing comment?
- Y.D. Murthy:** Yes. I thank all the participants and also the Dolat Capital and Shravan Shah in particular for hosting the conference. Thank you very much. Good day.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen, on behalf of Dolat Capital Markets Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.