



“NCC Limited  
Q4 FY2016 Results Conference Call”

May 24, 2016



**ANALYST:**           **MR. JASPREET SINGH ARORA - SYSTEMATIX SHARES & STOCKS LIMITED**  
**MS. DIVYATA DALAL SYSTEMATIX SHARES & STOCKS LIMITED**

**MANAGEMENT:**   **MR. Y. D. MURTHY - EXECUTIVE VICE PRESIDENT - FINANCE - NCC LIMITED**  
**MR. BHANOJI RAO - VICE PRESIDENT FINANCE – NCC LIMITED**  
**MR. R.S RAJU - EXECUTIVE VICE PRESIDENT- FINANCE AND ACCOUNTS – NCC LIMITED**

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**Moderator:** Ladies and gentlemen, good day and welcome to the NCC Limited Q4 FY2016 results conference call, hosted by Systematix Shares & Stocks Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing \* and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jaspreet Singh Arora Systematix Shares & Stocks. Thank you and over to you Sir!

**Jaspreet Singh Arora:** Good evening every. Welcome to the Q4 earnings call of NCC Limited. We have with us Mr. Murthy and his team. Over to you Sir!

**Y.D. Murthy:** Thank you Jaspreet. Good afternoon participants. I am Y. D. Murthy, Executive Vice President, Finance from NCC. My colleague, Mr. R.S Raju, Executive Vice President of Finance and Accounts and Mr. Bhanoji Rao, Vice President Finance are here. We will first briefly tell you about the performance of the company in the fourth quarter as well as for the year that has gone by then after that we will have a question and answer session.

We have reported a topline of 2452 Crores on a standalone basis that is 11% growth in the topline, EBITDA of 209 Crores that is about 8.53% EBITDA margins and net profit of 70 Crores which is an improvement of 38%.

The EPS for the quarter is 1.26 as against 0.91 in the fourth quarter of the previous year. For the year as a whole, the topline is 8325 Crores and EBITDA is 737.38 Crores and net profit is 202.5 Crores. The net profit growth is about 100%. Last year we have done a between profit of about 111 Crores and the EPS for the year as a whole is Rs.4.01 paise per share as against Rs.2.56 paise per share in the previous year.

The company has come out with very good set of numbers particularly there is a substantial improvement in the bottomline and also the EBITDA margins also has shown nice improvement in 2014 we reported EBITDA of about 6.6%, 2015 it is 7.8% and now current year 2016 it is about 8.8% for the year as a whole. It is looking food for us and also we are happy that things are likely to improve further in the coming years.

On a consolidated basis, the fourth quarter topline is 2780 Crores, EBITDA is 284 Crores, net profit is 26.40 Crores. For the year as a whole consolidated topline is 9584 Crores, EBITDA is 1061 Crores and net profit is 110 Crores. On a consolidated basis also the net profit has improved by about 105% as compared to the previous year. Order book is about 17655 Crores as on March 31, 2016 and we secured 7399 Crores of fresh orders during the year FY2016.

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The board of directors has recommended a dividend 30% to be approved by shareholders at the annual general body meeting. I will give you the breakup of the order book and the turnovers that have been reported. First the year ended March 2016 we have reported the total construction turnover that means it includes the international construction business also of 9068 Crores, out of this buildings and roads put together reported a turnover of 3890 Crores, water and environment 2133 Crores that is 24%, electrical 828 Crores that is 9%, irrigation 240 Crores that is 3%, metals 87% that is 1%, power 1042 Crores 11%, mining 33 Crores and international 815 Crores.

The order book at the end of the year 17655 Crores and the breakup is buildings and roads put together 8376 Crores that is 47%, water and environment and railways put together 4091 Crores that is 28%, electrical 914 Crores that is 5%, irrigation 833 Crores, 5%, metals 54 Crores, power 261 Crores, mining 22 Crores, international 2254 Crores. Total is 17655 Crores.

Our subsidiaries including international subsidiaries reported a topline of 314 Crores in the fourth quarter and a net loss of 64 Crores. The subsidiary wise performance is like this: Construction business in Oman and Dubai by two of our subsidiaries there the turnover is 204.3 Crores and loss is 10.8 Crores. NCC Urban Infrastructure turnover is 65.39 Crores, profit is 0.9 Crores. NCC Infrastructure Holding topline is 13.2 Crores, loss is 42.9 Crores.

OB Infra 23.06 Crores, loss is 0.5 Crores, Western UP Tollway the topline is 24.6 Crores and loss is 14.5 Crores. Brindavan no turnover, no profits in fact the project is completed. We have got back the money that we have invested. Bengaluru Elevated Tollway the topline is 8.1 Crores and loss is 3.07 Crores. Pondicherry-Tindivanam topline is 1.6 Crores, loss is 2.06 Crores. Others in consolidated adjustments negative 25.7 Crores in topline and PAT 9.1 Crores, total turnover is 314.6 Crores and loss is 64.0 Crores.

There is a good improvement in the accounts receivables and our receivables have come down to 1324 Crores despite increase in the topline which shows that the payments have improved and also that is reflected in the debt collection period which has come down to about 58 days as in 70 days for the nine-month period. We are reporting one of the best debt collection periods in the collection industry and this is likely to continue because the management is putting lot of efforts.

As far as the loans are concerned, as on March 2016 the total loan book of the company is 1883.5 Crores. In this the cash credited working capital demand loans that is our working capital loans given by our consortium banks is 1674.8 Crores, a short-term loan of 25 Crores and a long-term loan of 167.9 Crores. This is a corporate loan given by the working capital bankers initially towards 300 Crores, now we have repaid about 132 Crores. NCDs

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there is no outstanding. All the NCDs are paid. Machinery loans is 15.8 Crores. The total is about 1883.5 Crores. This compares well with the previous year's number of 1995 Crores denoting a debt reduction of about 112 Crores as compared to the previous year.

The debt equity is also around 0.5. We have been able to manage the debt levels quite comfortably during the year and our efforts to bring down the cost of funds both the interest cost and also the commission and bank guarantee charges a downward trend is expected and based on the current year's performance we are planning to go to the rating agency with a possible upgrade in our ratings. That will be known in the next one-month or so.

This is the summary of the performance of the company for the Q4 as well as for the year that has gone by. Now I request the participants to ask their questions. My request is that no participants ask more than two questions and also the number of questions should be restricted to about 20 or so because of the paucity of time.

**Moderator:** Thank you. We will begin the question and answer session. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

**Parikshit Kandpal:** Congratulations for good set of numbers. Sir, just wanted to know that even for this financial year we have high component of other income contributing to our net profits, and large part of this is attributed to the subsidiaries, which are either loss making or where we are mostly funding the losses. So now we are monetizing these assets. So once the monetization happens do we have to take any provisioning back on the P&L because the monetization happens zero book value so then you have to do this other income reversal?

**Y.D. Murthy:** The other income primarily represents the interest income received from the NCC Infra Holding Limited where we have given 400 Crores a temporary ICD which we received back along with interest by this April 30. In two tranches we have received so about nearly the 70 to 80 Crores relates to that NCC Infra Holding Limited. The other one the 50 Crores interest on the NCC Urban Limited where we have the 400 Crores loan with them on that also they paid that interest.

**Parikshit Kandpal:** Out of this 176 Crores of other income how much would be the cash we would have received this year?

**Y.D. Murthy:** 50 + 65, 115 to 120 Crores we have received.

**Parikshit Kandpal:** Balance will be?

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**Y.D. Murthy:** The entire amount is not the interest, out of which 20 to 25 Crores will be there on other accounts, so out of 170 Crores or so we received in the form of cash 115 to 120 Crores.

**Parikshit Kandpal:** Because last time, if I have to remember out of 195 we had only received I think 20 or 25 Crores as cash?

**Y.D. Murthy:** This year things have improved and we are also providence of this fact and slowly the other income is expected to come down/

**Parikshit Kandpal:** Lastly, what will be the quarterly interest rate now after monetizing two assets on the road and one on the power assets, which is already being monetized? What should be the quarterly run rate in interest cost from this quarter?

**Y.D. Murthy:** For the year as a whole we expect the interest cost to come down from this 500 Crores to 400 Crores nearly 100 Crores reduction we are expecting because of reduction in the loans significant and also the interest rates from at present 12.86 is there for the entire year and we expect around 11.85 or so. So these both factors will help the company to reduce the interest cost from 500 to 400 Crores.

**Parikshit Kandpal:** 1883 is our loans so how much we are expected to reduce by year-end?

**Y.D. Murthy:** By year-end about 200 Crores we are expecting the reduction.

**Parikshit Kandpal:** Sir, this 400 Crores how much will be the cash inflow to us actually after adjusting for all the advances, client advances, these two road projects and power projects and what would be the net inflow which will accrue to us.

**Y.D. Murthy:** In power we already received 277 Crores and now the two road projects the definitive agreements are signed but the money is yet to be received. That is likely to happen in this quarter or may be in a month or two later on. So the two roads put together in the current year will bring us about 200 Crores and 277 we already received. Total is about 477 Crores. That is the fresh cash inflow into the company.

**Parikshit Kandpal:** But you said that in 277 Crores, we have only received after netting off the advances?

**Y.D. Murthy:** After netting off the net cash issued by us is 277 Crores.

**Parikshit Kandpal:** In your press release and in the exchanges you have mentioned that you have received 70?

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**Y.D. Murthy:** It is received in March we received 200 Crores. In April we received the balance 77 Crores. So for the Sembcorp sales 277 Crores is received. It is the net figure, after adjusting the additional mobilization advance given by the project company after taking into the interest payable on additional mobilization advance, likewise on the interest, they have to pay us on our investment as per the definitive agreement signed, the net of all these things is 277 that is the cash flow we received.

**Parikshit Kandpal:** Sir, 200 in FY2016 and 77 will come in next year?

**Y.D. Murthy:** You are right.

**Parikshit Kandpal:** Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Amit Sinha from Macquarie Capital. Please go ahead.

**Inder:** This is Inder here from Macquarie. My first question is on the guidance that you shared with media, can you kind of give some logic and kind of reason behind that, are you expecting a revenue growth of 10% which would given the existing order book would mean a very fast execution and you are expecting a very, very sharp ramp up in order inflows from 7300 odd Crores to something closer to 1200 Crores. So that is my first question?

**Y.D. Murthy:** First to the order book we got 7400 Crores last year and this year we are targeting about 12000 Crores. We are aware of what is happening the market particularly the thrust being given by the government for infrastructure development and various state governments coming out with a lot of projects to develop their respective states. All these things we have thoroughly discussed at the board level and it is approved and based on that about 12000 Crores of fresh order accretion in the current year we are targeting. It is about 50% increased compared to the last year, but we are confident we will achieve it and most of it will come in the road sector some EPC contracts and some hybrid model road annuity projects we are looking at it positively and because we have a strong balance sheet and there the competitive intensity is somewhat less we are quite confident that we will be able to be in a nice position to capture these orders and also they are planning nearly 100000 Crores worth of hybrid model projects in the next 12 months, definitely we will get a share of that. Likewise our home states with the Government of Telangana they have come on with a water grid project where they are awarding contracts of up to 36000 Crores to be implemented over the period of three years, we are participating in some of these projects very carefully to see that we are not to compromising on the bottomline and the profit margins and we already bagged about 3000 Crores of orders and likewise the Government of Telangana is planning irrigation projects the funds have been tied up and there also we

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can participate. And also the neighbouring state of Andhra Pradesh for the capital city formation, a lot of building works are likely to be awarded and we being a topline building contractor in the country and also local players we are confident that we will be able to bag substantial orders there. So all in all we are confident that the order accretion of 12000 Crores is achievable in the current year and also the topline growth of about 10% based on the last year's performance and based on the order accretion that we are targeting we are very confident that we will be able to achieve that. We are really confident that we will be able to achieve that.

**Inder:** Sir, a followup on that are there any orders there where you are L1, which you have not been able to place in before March 31? Is there a large pipeline of kind of those orders, which led to FY2016 order inflow being slightly lower than our earlier expectations?

**Y.D. Murthy:** Yes. Some of the orders where we submitted are not opened before March 31, and some of the orders they have issued the letter of intent in April and May, so in this one to one and a half months period we got the letter of intent around 2000 Crores so of them are still bids have not yet opened like that are there, so we are positive in securing the good orders when compared to the previous year in the current fiscal.

**Inder:** My last question is on the interest cost side, now it has been sometime that we got our first rating upgrade, our balance sheet is in a much better position at this point of time, but the interest cost overall do not seem to come down at a rate at which we would have liked. Is there any particular reason why we were not seeing that translate into actual cut in interest cost?

**Y.D. Murthy:** In fact the interest cost has come down by 1% in the year 2015-2016.

**R.S Raju:** To add to what my colleague is saying, actually last year the finance cost, we call it finance cost that is about 570 Crores now it has come down to about 503 Crores or so. That is a substantial improvement of nearly 70 Crores as compared to the previous year and also if you look at the finance cost that we are showing in our books, it also includes interest on mobilization advance, it also includes some interest paid to suppliers, if you take out these things and look at the bank interest cost there is a good improvement, as my colleague has said about 1% and now the blended cost of bank loan as on March 31, 2016 is about 11.75% and that is likely to come down even further as our rating improves and also Reserve Bank rating action of reducing the rate. One issue that is not properly flowing through is when RBI has cut about 150 BPS last year the banks have passed down only 60% to 70% BPS to the borrowing companies like us. So the monitor is transmission is not happening, so RBI has come out with that MCLR rating methodology of working the base rate from April 1, 2016 that is likely to help in monetary transmission in a better manner in

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which case we are likely to get the advantage in the current year. So all in all we are working in the right direction and also it includes the finance cost includes our bank guarantee commission and also LC commission. The entire financial charges are put in one basket. For example on bank guarantee commission, we are already enjoying 25% reduction on the card rates. Of we are having a dialogue with our lenders and it will improve our rating there is a further reduction in the commission charges that are going to be levied same is the case with LC. So all in all we are moving in the right direction. That is why the net profit has also doubled compared to the previous year.

**Amit Sinha:** Thanks a lot. Just can you broadly give a breakup of this 500 Crores order of finance charges from broad breakup and that is it from my side?

**Y.D. Murthy:** I will give you. It comprises of interest on debentures 1.72 Crores, interest on term loans 43.77 Crores, interest on cash paid and working capital 253.8 Crores, interest on mobilization advance 56.8 Crores, other interest on others that is basically interest paid to suppliers for LC period and things like that that is about 62 Crores. Total is 418 Crores. The BG commission is 67.84 Crores, LC commission is 17.64 Crores and banks and other finance charges 3.85 Crores total is 507.5 Crores.

**Amit Sinha:** Thank you.

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

**Shravan Shah:** Congratulations for good set of numbers. Sir, after this power sell and the road sale if you can just give me how much we have invested including the equity loans and advances in two road BOT assets and how much we are getting? How much we have received and to be received and same for the power, how much we have invested and how much we are selling at and how much we have received and how much to be received in this FY2017? How much will that reduce the noncurrent investment in FY2017 from 1031 Crores?

**Y.D. Murthy:** In fact the sale of power probably you are aware about the understanding between the buyer and the seller is two years back one and a half years back when we entered into our virtual sale at that time the understanding is on a power value to sell the investments of NCC Nellore Power to Sembcorp so whatever we invested that money we are getting back. We got back and from that date onwards whatever the delay payments are there because of the conditions present into mobilization and other things from that date onwards they have given an average rate of some 15% or so, so from that two year period the interest over those amounts what we have received in March and in April both the months since then



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they calculated and they paid us. That will be amount received on the sale of the power plant.

**Shravan Shah:** But there is no adjustment against the EPC what we have received from the power?

**Y.D. Murthy:** There is no adjustment against the EPC price only at that time since the sale is not completed, since the Sembcorp cannot give in the form of sale consideration at that time some arrangement in the form of mobilization advance they have given for the EPC contract. They facilitated about 200 to 300 Crores advances, so those advances also carried the interest at the rate of some 14% so now they adjusted those advances from the sale consideration what we paid now in this two tranches.

**Shravan Shah:** In the two BOT road assets how much we invested and how much we are getting and how much to be received in FY2017?

**R. S. Raju:** In Bengaluru Elevated Tollway we have invested about 160 Crores and based on the definitive agreement signed with the incoming investor we are likely to get about 100 Crores and in Western UP Tollway we invested about 115 Crores comprising of loan given to the SPV also and we are likely to get about 95 to 97 Crores. So all in all about 200 Crores we are getting from these two assets but there are claims pending with NHAI in both these projects. The claims will be on our account. If you look at say for example Western UP about 400 Crores of claims are pending with NHAI and when the claims are settled may be two three years from now those money's will come to the project owners, the original promoter for the project that is NCC and Gayathri and those money's will offset the equity loss, investment loss that we are suffering. On that if you take that also into account there is no loss at all.

**Shravan Shah:** By FY2017 the noncurrent investment the way it has reduced 125 Crores in FY2016 how much further it will reducing all these things.

**Y.D. Murthy:** In the current year we expect that about from those things 150 to 200 Crores loans we are expecting to come down. The other thing to be noted here is in the recent past some major works we have received from Telangana State Government, so where the mobilization advance facility is not there. Generally, we have 10% mobilization advance facility at the rate of 10% of 3000 Crores the 300 Crores must be in our hand to carry out this project. If the projects does not have the mobilization advance I have to use my internal generation funds and also the sale consideration for the carrying out these projects. So about six to nine months period we have to pump additional working capital into construction business so these are all the result, but by the year-end once this project picks up and the cash flow generated then another 50 to 100 Crores there is a possibility so, in the beginning 100

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Crores will come down, but the year-end another 100 Crores we are expecting to bring down the debt position.

**Shravan Shah:** Sir last one, you said you are looking at hybrid annuity do you now find the bankers are ready to finance these projects and have we bided in any of the recent project in hybrid annuity.

**Y.D. Murthy:** We are looking at it. We have already started having a dialogue with some other banks. The feedback, which we are getting from the market players, is some banks are willing to look at these projects and based on that recently I understand Sadbhav and others are major construction companies also bagged some hybrid model projects. We are looking at it and definitely we want to participate in the bidding process.

**Shravan Shah:** Sir, if you can give me Agra-Lucknow how much is executed in fourth quarter?

**S.V.N. Bhanoji Rao:** In fourth quarter we have executed nearly 350 Crores, so till this date nearly 60% of the projects were over and 40% of the electrode is there.

**Shravan Shah:** 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:** Good evening Sir. Could you explain the two exceptional items for the standalone and consolidated accounts, so do they related to the road projects which we have sold?

**Y.D. Murthy:** Yes exception item we have given as a 20.5 Crores or so, they present three items. The first item is we have made a provision for the impairment of loss in the Western UP Tollway Limited since the agreement was entered in the May month, since the loss is known, thereby we have made a provision for impairment in the investments say about 21 Crores. So other one is there is an expected loss on Jubilee Hills Landmark project since that project is going for the last almost nine to ten years so every year we recognize in some interest along the debentures. So the project at this moment when we worked out the cash flows and the outcome of the project at this moment when we worked out the cash flows and the outcome of the project at this moment it is not much lucrative. As such there is some uncertainty about the total amount what I am carrying at this moment. However, we made a provision for 30 Crores for that investment. So 50 Crores we made a provision for impairment in investments in the standalone, which was set of against 30 Crores there is a profit on sale of road asset to our OBIL.

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- Ashish Shah:** Sorry, which project, I missed this, which one Sir?
- Y.D. Murthy:** We have a road annuity project OBIL OB Infra Limited that asset is there in the NCCL books of accounts. It is supposed to be in the NCCIHL but virtue of our **(Inaudible) 31.08** and other things at that time it was carried in the NCCL books of accounts. Now we have transferred that asset to the NCCIHL. So in that transaction based on the third party fair valuation of 30 Crores plus was there. Since we have to target at normal length our prices 30 Crores profit is there. That 30 Crores now we have set off with the loss with 50 Crores. The net-net is 20 Crores is the loss we have recognized in the standalone books of accounts.
- Ashish Shah:** On the consolidated numbers, and consolidated loss is 40 Crores, so then what is this difference between the standalone 20 Crores and 40 Crores.
- Y.D. Murthy:** In the consolidated they have 32 Crores loss. They have considered for the impairment of asset of Western UP Tollway Limited, 30 Crores and the other one is Jubilee Hills Landmark and the other one loss is there. These two assets put together 40 Crores. Since there is a consolidation adjustments to this way and that way it comes to 40 Crores figure.
- Ashish Shah:** Sir, is there any land sale income or profit during the quarter, which we have recognized in the accounts?
- Y.D. Murthy:** About land sale income is there about some 7 Crores or so.
- Ashish Shah:** That is the revenue?
- Y.D. Murthy:** Yes that is the revenue.
- Ashish Shah:** Profit on this could be?
- Y.D. Murthy:** Revenue 7 Crores profit is 5 to 6 Crores is there.
- Ashish Shah:** So not material?
- Y.D. Murthy:** Not material.
- Ashish Shah:** Sir last question from my side. Why is the tax rate so low?
- Y.D. Murthy:** The long-term capital gain what we received from the transfer of OB Infra road asset from NCC sale to this one 30 Crores is there. On 30 Crores there is based on indexation of calculation and other things there is no profit. Even smaller profit is also there, we have

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some carry forward long-term capital loss is there, so thereby entire 30 Crores is tax free now. That helped to lower the tax rate.

**Ashish Shah:** But there is no other reversal of previous period tax or anything like that?

**Y.D. Murthy:** No.

**Ashish Shah:** Thank you very much Sir.

**Moderator:** Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.

**Nitin Arora:** Sir, if we look at excluding your international order book which is about in the range of 2200 Crores we are still in the range of 15000 Crores plus kind of order book. What sort of topline we are looking at it for FY2017 given that definitely we are guiding it on the higher side on the order inflow, but that total depends on the timing but what sort of topline we are looking at based on the current position at this point?

**Y.D. Murthy:** We are looking at a topline of at least 10% growth. Based on the annual turnover that we reported last year I agree if we see it on a standalone basis the book to bill ratio is just around 2:1, which is not very healthy this was discussed in our business plan meeting also and that is one reason why we are actually looking at aggressively booking the orders of course without not sacrificing on the margins and if I get this 12000 Crores of orders and already 15000 Crores odd I am talking about the standalone business definitely to make a topline of about 9000 Crores or so during the next 12 months should not be a very big challenge in task. What will happen is the order book will go to beyond 20000 Crores at the end of the current financial year.

**Nitin Arora:** Sir, with respect to a question on margins, if I exclude your real estate booking in the first two quarters, which we did, we did about 7.8% margin still on an average basis. What sort of guidance are we looking at FY2017 excluding the real estate part?

**Y.D. Murthy:** Margins on the construction business gradually increase in the last two years and in particularly in the current year so next year also we expect to maintain this margins, plus in addition to that one some 0.42% or 0.5% to increase we are expecting from the construction business.

**Nitin Arora:** Sir, can you give us the order inflow breakup and retention in mobilization advances?

**Y.D. Murthy:** Order inflow breakup and?

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- Nitin Arora:** Retention and mobilization advances, retention numbers and the absolute number and the mobilization?
- Y.D. Murthy:** Order inflow I will tell.
- S.V.N. Bhanoji Rao:** Retention money on the books of the company is about 1423.76 Crores as on March 31 and mobilization advance is 633.29 Crores.
- Y.D. Murthy:** The order inflow break up, Mr. Raju will give.
- R.S. Raju:** From roads we have 3647 Crores, water and railways is 3073, electrical 323 Crores, irrigation 261 Crores, network 63 Crores, power 66 Crores. That is all.
- Nitin Arora:** Sir, you mentioned about 2000 Crores order inflow LOI you have already received. Is it from the Telangana irrigation order only?
- Y.D. Murthy:** One work is related to Telangana irrigation about 1380 Crores.
- Nitin Arora:** Where the advances are not there.
- Y.D. Murthy:** Yes.
- Nitin Arora:** Thank you very much Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Thanks for taking my question. Congratulations on a very strong set of numbers. Sir, I just wanted to understand a little bit on the trends that we can expect in the other income going forward? As you mentioned that in the other income basically around 70 to 80 Crores was the interest that we were getting as loan on the loan that we had given to NCC Infra and now with one project getting beating and we selling of these two projects so, the one 190 Crores of other income that we are expecting that we had this year where do you see that coming down. So do we expect that to come down let us say the same 70 to 80 Crores over the next one year or so.
- Y.D. Murthy:** Next year we expect that figure would be in the range of 90 to 100 Crores. That is the figure.

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**Vibhor Singhal:** At that point of time that 90 to 100 Crores will comprise mainly of the interest from NCC Urban, I suppose, right?

**Y.D. Murthy:** Yes Sir.

**Vibhor Singhal:** Also just wanted to get a question on the order opportunity in the metro segment. Now we have seen that we have already been working on the Chennai-Metro, we are working on the Nagpur Metro and we recently were shortlisted as L1 in the Mumbai Metro phase project. So just wanted to understand is that a segment that we are looking as keenly given that there are a large number of orders coming in and what kind of margins do we expect in that kind of a business? Will there be a similar, lower or higher than traditional other roads and buildings businesses.

**Y.D. Murthy:** Normally this metro we have little over normal margins.

**Vibhor Singhal:** Higher margins?

**Y.D. Murthy:** Higher margins.

**Vibhor Singhal:** Sir in terms of opportunity, how big is this opportunity that you are looking at and which key other projects that you might have bid for that we can expect may be over the next few months?

**Y.D. Murthy:** In the few months we are targeting lot of works are coming in that one and apart from this what cities we are working now we are concentrating in Lucknow, where also we expect some big orders under metro segment. We have done earlier for Bengaluru, Chennai, we are doing, Mumbai we got, now Lucknow, so as a segment I think it will pickup only thing it is Hyderabad L&T was doing in-house so they did not call for other construction companies, but we are quite active in the metro segment.

**Vibhor Singhal:** Sir, we would be restraining ourselves to overhead metro or underground metro projects will also be something that we would be looking at?

**Y.D. Murthy:** At this moment overhead metro, mostly overhead.

**Vibhor Singhal:** Overhead only. Lastly, just on the hybrid annuity part, I remember a couple of years back we had taken a board decision that we will not do it for any BOT project. Now I understand that hybrid annuities are a little different animal than the BOT projects with a much lesser equity requirement, but do not we see by bidding for these hybrid annuity projects we are going down the same road as we had done seven years back where we have bid for these

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BOT projects and we actually ended up selling these projects today at less than book value, do you really see the need to go for hybrid annuity projects at this point of time or is it because of the lack of order inflow from the EPC segment that we are going into this segment.

**Y.D. Murthy:**

Earlier we had exposure to BOT and many players segment have difficulties because of a variety of reasons that delays, land acquisition and also the higher quantum of debt and higher quantum of equity that is required at the BOT level, but you will appreciate in those BOT projects also we have maintained a lot of bidding discipline and we have not bid aggressively as we hardly got five projects and out of that one project is already out because already equity money has been received. Now looking at the business opportunities hybrid model is a different kind of animal, but it is an animal, all right but we know how to handle the animal and in fact earlier we have to bring 100% of the project cost to the table, by way of debt and equity, no 40% is coming from NHAI and also there is no traffic risk because it is coming as annuity and out of the balance 60% if I have to bring say 15% or 18% as my equity contribution and the balance comes by way of debts from the banking system it definitely looks like a better project compared to the earlier BOT model and also you have to keep in mind the model concession agreement has been modified and also the client is also very keen that he should support the project developers by providing all kinds of infrastructure and approvals and land and things like that so perhaps we can make a new attempt and we as a company if we look at it we are monetizing to BOT assets. We are getting nearly 200 Crores and already we exited the Brindavan Infra, three projects we are exiting. So it makes sense if those monies are invested in the hybrid model but definitely maintaining our bidding discipline.

**Vibhor Singhal:**

Fair enough Sir. Sir just lastly on the two remaining BOT project OB Infra and Pondicherry-Tindivanam is there any pipeline on those projects being also we finding bidders on those projects or we going to probably continue with them in our books? What is the kind of cash flow support that we are needing to provide them as of now?

**Y.D. Murthy:**

OB Infra is an annuity project, we have already gone for securitization that is basically to reduce the cost of debt and I do not think we will be able to exit from that because securitization has also taken place and the other one is Pondicherry Tindivanam that project is not generating enough revenue and because of that it is suffering. In fact we had gone to the lenders asking for restructuring of the debts, so I think we can find a buyer for that project. So for the time being we do not have any other plan.

**Vibhor Singhal:**

Sir what is the kind of cash support that we are providing to these two projects?

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**Y.D. Murthy:** There is no cash support. OB Infra is absolutely no issues. Annuity project is doing well. Pondicherry Tindivanam earlier stages we have given some cash support, but now after the restructuring has been done there is no cash support by the promoter companies.

**Vibhor Singhal:** So both these projects do not require any cash support further from the parent company?

**Y.D. Murthy:** Yes.

**Vibhor Singhal:** Thank you so much Sir. I will get back in the queue, if I have more questions.

**Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from Elara Capital. Please go ahead.

**Adhidev Chattopadhyay:** Thanks for taking my question. Sir, just wanted to understand in the water and basically in the state of Telangana the projects, which will be taking so how will the working capital cycle be for this? Will you be getting some advances or is it going to be just as we work we get the money? If you could just some idea how the contours are shaping up?

**Y.D. Murthy:** My colleague has already told you that these projects are coming without mobilized advance, but they are coming with better margins. We are a big company looking at the state of Telangana and we are looking at it as a good opportunity, but at the same time carefully because we do not want to have any liquidity problems. In fact some of these orders were received almost one year back and we are getting payment as and when we submit the bills without much loss of time we are getting payments also so that gives some comfort, but at the same we do not have any liquidity crunch because this price is coming without mobilization advance so we are talking with some banks whether they can fund us for the mobilization advance and if that comes forward may be we can get some more projects from the government of Telangana.

**Adhidev Chattopadhyay:** May be you have already addressed this, but just wanted to understand in terms of debt levels, are we looking at more in terms of an absolute ratio or we want to just give some guidance on the absolute debt number we want keep in the next two years?

**S.V.N. Bhanoji Rao:** Internally the management has an intention to bring on the debt that is one of the important agenda item in the board and management so next year we are targeting to bring out minimum up to 200 Crores, but maximum 300 to 400 Crores will be there, so by next year another 200 to 300 Crores that is the internal targets to bring down the debt and bring down the interest cost up to 3.5% now we are to 5% odd and next year it will come down to 4.7 Crores so by another year we should come down to 3.5%, that would be internal target to keep the interest cost at that level so as to improve the bottomline.



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**Adhidev Chattopadhyay:** Thanks and taking my questions.

**Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss Capital. Please go ahead.

**Parvez Akhtar:** Good afternoon Sir. Sir couple of questions one what is the status of the commissioning of the power plant and is there any money tell to be received from Sembcorp?

**Y.D. Murthy:** The power plant now we are just commissioning in two stages, stage I is 66 megawatts, I think by the end of June we are likely to declare commissioning of this plant and the second phase another 66 megawatts three months thereafter there was slight delay in the project we originally we project will be done in April now it is going to be June so absolutely we are going as per the schedules that have been approved by the client. What is the second question?

**Parvez Akhtar:** Is them any funds still to be received from Sembcorp?

**Y.D. Murthy:** No, the deal is closed. There is no funds to be received from Sembcorp the equity also has been transferred to them.

**Parvez Akhtar:** We already made a write down for investment Western UP so far Bengaluru Elevated Tollway when is that going to happen?

**Y.D. Murthy:** In another four to five months some conditions are there and from our side we are complete in those things and another ventures are also there in that one from the side also they are doing that condition best whatever the terms are there in the agreement so our people are expecting in another four to months so the deal gets flow them.

**Parvez Akhtar:** Sir, lastly what at the end FY2016 what was over the loans outstanding to all the subsidiaries?

**Y.D. Murthy:** In the books of accounts?

**Parvez Akhtar:** Yes standalone.

**Y. S.V.N. Bhanoji Rao:** The loans and advances to subsidiaries able to 1236 Crores in the previous is 1365 it has come down by about 125 Crores.

**Y.D. Murthy:** In the April some more amount nearly 200 Crores we received the loan, after adjusting that one it would be around 900 odd Crores.

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- Parvez Akhtar:** The April amount is on respect of which entity?
- Y.D. Murthy:** This Sembcorp amount we received nearly 277 Crores so except for their advance. That has been received in April.
- Parvez Akhtar:** Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Naveen Jain from JM Financial. Please go ahead.
- Naveen Jain:** Thanks for taking my questions. Just the followup on the previous question that was asked on the loan and advances to subsidiaries which is about 1000 add Crores now so can you please broadly provide which subsidiaries?
- Y.D. Murthy:** 400 Crores is with the NCC Urban Infra, about to 150 Crores or so in NCC Vizag Urban, some 200 Crores is there with the NCC Mauritius, some 120 to 130 Crores are there our constructions subsidiaries in Muscat and Dubai and some 70 Crores is there for home based power, these are the basic loans to the group companies.
- Naveen Jain:** NCC Infra nothing?
- Y.D. Murthy:** Out of 2200 Crores is there that was now spread up in the April.
- S.V.N. Bhanoji Rao:** But in March it is there.
- Naveen Jain:** Sir, secondly on the International construction business during the year we are not received any order there, what is the outlook there. You will be bidding for more projects in that particular geographies?
- Y.D. Murthy:** We are actually having hard look it our international business and it like a mixed bag, some projects we have done well and we have received good profits also. Some projects we are not getting the profits that we are expecting. For example in Dubai and Abu Dhabi we have closed on the projects. Only in Muscat we have projects and also they are the two road projects are completed. One villa project is also almost complete. The third road project is also 96% complete and it will be over in either couple of months so we have left at one project that is Batinah Expressway it is about 2200 Crores of the road project one of the biggest we have received that is under the execution and in Qatar we have a project given to us a by Qatar Petroleum along with our local partner. Now the management thinking is to go slow on international projects and also have hard look it our international business. That exercise is being done at the directors level so based on the we will take view whether to

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continue in the international market and whether infusion of funds is required all those things we are carefully examining.

**Naveen Jain:** Can you share what was the revenue EBITDA and PAT number for all the constructions subsidiaries for FY2016?

**S.V.N. Bhanoji Rao:** Now you have this parent company's number with you.

**Y.D. Murthy:** The fourth quarter also give the annual number.

**Naveen Jain:** Annual number for all the constructions subsidiaries?

**S.V.N. Bhanoji Rao:** Oman and Dubai, Dubai virtually there is no any turnover but for Oman EBITDA margin is 9.9%.

**Y.D. Murthy:** These two subsidiaries put they did a turnover of 836.7 Crores and reported a loss of 34.5cr for FY2016.

**Naveen Jain:** The 34.5 Crores loss despite 9.9% EBITDA margin.

**Y.D. Murthy:** Yes.

**Naveen Jain:** Because of high interest cost?

**S.V.N. Bhanoji Rao:** One is high interest cost and also on the increase over the previous year.

**Naveen Jain:** Thank you Sir.

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

**Ashish Shah:** Sir, the other expenses for the quarter are quite low so what is there any write back provisions or the something else?

**S.V.N. Bhanoji Rao:** There is churn in other income.

**Ashish Shah:** Other expenses is just about 42 Crores so far this order for turnover they appear little on the lower side?

**S.V.N. Bhanoji Rao:** There is no impact in the four quarter.

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- Ashish Shah:** Nothing specific that needs to be highlighted. Sir, just to clarify 200 Crores from the Sembcorp deal cash we have received by March 2016 and 77 Crores we have received in April and so now we just receive cash for the road projects everything from Sembcorp has been received.
- Y.D. Murthy:** Yes, absolutely.
- Ashish Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Shrishti H from Dolat Capital. Please go ahead.
- Shrishti H:** Thank you Sir. Can you just tell me what is gross block for this year as a capex?
- S.V.N. Bhanoji Rao:** I will tell you before that, I want to request the participants we will be able to take only one more question because already we have been talking for past one hour. Now your question Mr. R.S. Raju will answer, gross block.
- R.S. Raju:** Gross block of March 2015 and March 2016? The gross block is about 1026 odd Crores, the net block is 623.65 Crores.
- Shrishti H:** Sir, capex for this year and what would be capex for FY2017?
- Y.D. Murthy:** About 120 to 140 Crores we are planning capex.
- Shrishti H:** That is it from my side.
- Y.D. Murthy:** Thank you so this will be the last question.
- Moderator:** Thank You, now. I would now like to hand the floor over to Ms. Divyata Dalal from Systematix for closing comments.
- Divyata Dalal:** I thank all the participants for joining the call. Thanks the management for taking time out for the call. Thank you Sir. Have a good day.
- Y.D. Murthy:** Thank you all the participants. Thank you Divyata Dalal. Thanks for Systematix.
- Divyata Dalal:** Thank you.
- Moderator:** Thank you, on behalf of Systematix Shares and Stocks Limited we concludes this conference. Thank you for joining us. You may now disconnect your lines.