



NCC

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Date : 13-02-2020

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: Submission of Transcript of the conference call under Regulation 30&46 of SEBI (LODR), 2015

Please find enclosed herewith the transcript of the earnings conference call that took place on 7th February, 2020 with analysts discussing about the performance & Financial Results of Q3 of the F.Y. 2019-20. Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.

13-02-2020

M V Srinivasa Murthy
Company Secretary & EVP (Legal)
Encl : As above

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“NCC Limited Q3 FY20 Earnings Conference Call”

February 07, 2020



MANAGEMENT: **MR. R.S. RAJU – ASSOCIATE DIRECTOR, FINANCE AND ACCOUNTS, NCC LIMITED**
MR. Y.D. MURTHY – EXECUTIVE VICE PRESIDENT, FINANCE, NCC LIMITED
MR. K. DURGA PRASAD – JOING GENERAL MANAGER, FINANCE, NCC LIMITED
MR. P. SURENDRA RAO – CHIEF MANAGER, FINANCE, NCC LIMITED
MR. S.V.N BHANOJI RAO – VICE PRESIDENT, FINANCE, NCC LIMITED

MODERATOR: **MR. VIBHOR SINGHAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY20 Earnings Conference Call of NCC Limited, hosted by PhillipCapital (India) 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 questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing and '* 'then '0' on your touchtone telephone. I would now like to hand the conference over to Mr. Vibhor Singhal from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vibhor Singhal: Thanks, Margret. Hello everyone. Welcome for the Third Quarter Results Conference Call for NCC Limited. We have with us the management of NCC Limited, represented by Shri. R.S. Raju – Associate Director, Finance and Accounts; Shri. Y.D. Murthy – Executive Vice President, Finance; Shri. S.V.N. Bhanoji Rao – Vice President, Finance; Shri. K. Durga Prasad – Joint General Manager, Finance; and Shri. P. Surendra Rao – Chief Manager, Finance.

We will have a brief commentary from the management to begin with, on the results in this call. And then we will open the floor to Q&A. Over to you, sir.

YD Murthy: Thank you, Vibhor. Mr. Bhanoji Rao could not participate, he is busy elsewhere. Now the management is comprising of Mr. R.S. Raju, Additional Director; myself, Y.D. Murthy; then Shri. Durgaprasad, JGM Finance; and Mr. Surendra Rao, Chief Manager, Finance. I request Mr. R.S. Raju to give the opening remarks, and then we can have a question and answer session.

R.S. Raju: Hi, good evening to all of you. I am R.S. Raju, CFO of the company. So, just I give the brief on the Q3 performance of the company, thereafter my colleague Shri. Y.D. Murthy will interact with you about the other numbers.

So, first of all, about the order book. In the third quarter, the company could secure only Rs. 1,217 crores. But in the nine months period of the current year, company secured Rs. 3,371 crores. So, apart from that one, in January month the company secured about R. 530 crores. So, along with that one, some L1 orders were also there at this moment, about Rs. 2,000 crores plus L1 orders are there, which we expect the LOAs in the month of February and month of March.

So, now at the beginning of the year, all of you know that we have an opening order book of Rs. 35,000 crores.

And which includes the orders in Andhra Pradesh. So, in Andhra Pradesh, in the current year they have given adjustment of Rs. 6,000 crores. And thereafter, some more developments taken place, some orders they have descope and some others they again reinstated. And some, particularly relating to the Capital City, because the new government wants to put the capital in three places, and thereby there is a chance of dilution of the works which already given by earlier government in the Capital City. So we have uncertainty about the continuation or restart of those works. And which around Rs. 7,544 crores are there, that we, the management, decided to exclude for the time being from the order book. So after excluding that approximately Rs. 7,000 crores, now the order book stands at the Rs. 25,049 crores.

About the execution. In the third quarter... before going to execution, it is our general calls from the analysts and investors about the division wise order book. So I read out the revised division wise order book numbers, after excluding this AP orders and also excluding the orders executed in the current nine months period of the year.

The building division, we have Rs. 10,571 crores, it works out to 42%. The roads, we have Rs. 3,291 crores. Water and railways, we have Rs. 4,851 crores, worth 19%. Electrical division we have Rs. 1,503 crores, about 6%. Irrigation Rs. 2,333 crores, worth 9%. Mining we have Rs. 2,050 crore, which represents 8%. International, Rs. 193 crores, which is about 1%, and others are small, small, about Rs. 256 crores, 1%. Totalling to 100%. This is the composition of the order book as of 31/12/2019.

Coming to the performance of the first quarter, first I will tell about the standalone. Turnover reported, including other income, Rs. 2,149 crores. EBITDA reported Rs. 250 crores. The profit before tax, Rs. 95 crores. PAT is about Rs. 110 crores. EPS 1.83. Here, in the current three months period, we have received Rs. 75 Cr towards IT refund related to 2016-2017 and 2017-2018, and we hold us to certain tax credits related to those assessment years amounting to about Rs. 75 crores which we have accounted in the third quarter. So, as a result, the tax expense has come to a negative of Rs. 38 crores.

So, as compared to the corresponding of the previous year, there is a decline in turnover of about 32% which, again, because of the various reasons, particularly the post elections, the disturbances or the slowness in AP, and also certain payments in Telangana and certain payments in UP and Punjab, and also the extended rates, which had an impact on the production of turnover of third quarter. So, in the nine months period of the

year, we have reported a turnover of Rs. 6,164 crores as against Rs. 8,723 crores, is about 30% decline for the corresponding period.

So, for the divisions which are responsible for the low current flow here is the Buildings, division in some part; Roads, because of its abnormal rains; Water, again due to non-payment by the Karnataka government and by the Telangana, and a non-clearance from the AP projects; and Electrical, due to the rains, resurvey and the land clearances. So these are some reasons for these four divisions which reported from the normal level.

So, come to the consolidated results. We have reported a turnover of Rs. 2,283 crores as Rs. 3,415 crores, about 30% decline. Reported EBITDA of Rs. 262.76 crores against Rs. 414 crores. Reported PBT of Rs. 64.51 cores against Rs. 257 crores. PAT on Rs. 102.50 crores against Rs. 167.57 crores. EPS, 1.73 against 2.76.

So, in the consolidation, you are aware that the international business, the management has decided to close that one. And further orders we are not booking. And residual orders, too small order are left for execution. So thereby, year-on-year, quarter-on-quarter, the turnover from the group companies will come down.

Now I will come to the margins, standalone margins. In fact, the company is experiencing an improvement in the gross profit margins of the products which are in execution in the current year. So the gross margin for the third quarter recorded as 20.59% versus 17.74% reported in the same quarter of the last year. The gross profit margin for nine months stands 21.28%.

The EBITDA margins of the third quarter is about 11.81% versus 12.16%, a slight reduction in the EBITDA which because of the recent distribution of overheads on the lower turnover. EBITDA margin for the nine months period stands at 12.42%, against 11.8% for the previous year, so for nine months period there is an increase in the EBITDA margin.

The net profit for the current quarter 5.13% against 4.94% of the same quarter, and compared to the immediate previous quarter, there is an increase, immediate previous quarter we reported 4.44% whereas in the Q3 it is 5.13%, which again on account of the tax rates 0:12:05 The nine months net profit percentage is 4.41% against 4.44% over corresponding period of the last year.

So, I will come to the interest cost. In the third quarter, the interest cost has increased a little comparing to the same quarter of the previous year. Now, the current quarter we incurred Rs. 141 crores for interest as against Rs. 1.24 crores, and it is partly on account of the increase in working capital utilization, and partly on account of the increase in the rates of BG & LC commission.

And for the year as a whole, we expect in the fourth quarter some reduction in the interest cost because of the plans for reduction in the debt also there. So the debt at this moment standing at Rs. 2,362 crores as compared to...

YD Murthy:

The standalone debt at the end of the third quarter is Rs. 2,362 crores, comprising of cash credit and working capital loans of Rs. 1865.7 crores, short-term and long-term borrowings Rs. 57 crores, machinery loans, hire purchase and leasing Rs. 438.92 crores. Total is Rs. 2,362.4 crores, this is an increase in the debt level compared to the previous reporting quarter. And compared to the annual number it has gone up by about Rs. 300 crores or so. We are carefully examining it and our aim is to see that the standalone debt comes down by the end of the current financial year.

As far as loans and advances to subsidiaries and associates are concerned, the figure is Rs. 545.22 crores. It is more or less the same, earlier it was Rs. 576.69 crores, last year third quarter, so there is some reduction in the loans. Investment in associates is Rs. 892.13 crores as compared to Rs. 956 crores in third quarter of the last year.

Our exposure to group companies has come down to Rs. 1,437.35 crores as compared to Rs. 1,533.4 crores in the previous year. Mobilization advances is Rs. 1,615 crores as compared to Rs. 1,493 crores in the third quarter of the previous year.

Retention is Rs. 2,336 crores as compared to Rs. 2,062 crores in last year. Cash balance is Rs. 195.6 crores, inventories, raw material is Rs. 472.8 crores and trade receivables is Rs. 3,045 crores. And receivable turnover, the debt collection period is about 143 days, and is mainly because of for

non-payment of outstanding bills from the government of AP after the election results, that's why the receivable turnover rate has gone up.

Already we have told you the reduction in the order book by about Rs. 7,130 crores because of the non-moving order from AP because of the change of the government and change of the capital cities, they shifted capital from Amaravati to Vishakhapatnam. So the AP TIDCO orders reduced by about Rs. 3,306 crores and Capital City non-moving orders are Rs. 6,113 crores. Other projects and the increase in scope and reinstatement of the projects is minus Rs. 2,484 crores.

So, the net result is Rs. 7,134 crores of orders have been descope from our order book, which we have managed proactively, client has not cancelled, the orders are still there, we will also carefully examine. But one important aspect is, the Capital City orders, because the administrative capital is moving to Vizag, so all these orders are likely to be cancelled in the near future. As of now, our bank guarantees and also our outstanding bills are yet to be paid by the government of AP.

Now we request the participants to ask your questions. I request participants not to ask more than two questions per participant. And the total number of participants should not be more than 25. Thank you.

Moderator: Thank you very much. We will now begin the questions-and-answer session. The next question is from the line of Ashish Shah from Centum Broking. Please go ahead.

Ashish Shah: Sir, you mentioned about the change in the order book for AP. Could you just please elaborate on that? So basically which orders have been removed and what value? And which orders remain and what is the value of that?

YD Murthy: I will repeat once again. See, one thing that happened is the Administrative Capital, they are shifting from Amaravati to Vishakhapatnam. We are doing a Secretariat Building project in in Amaravati, that is likely to be cancelled, but as of now it is not canceled. Likewise, we are doing the underground drainage and outer ring road project because the capital city size in Amaravati is getting truncated, it is getting reduced, they have decided not to go for outer ring road and the radial roads and some drainage works and all. So both the projects are likely to get cancelled. Now, in the AP Capital City, the order reduction is about Rs. 6,311 crores, that means almost all the orders are likely to be reversed, anyway we have removed because they are non-moving, except the MLA water building which we have already completed 75% to 80%, the residual order will also be completed.

Now as far as AP TIDCO is concerned, the reduction happened to the extent of Rs. 3,306.58 crores. Now, what is remaining in AP? AP TIDCO about Rs. 1,015 crores will be there, Capital City about Rs. 251 crores will be there, other projects about Rs. 3,162 crores. These are some projects where restoration has happened and also it includes the ADB funded projects and Amrut projects. So the total orders from government of AP, according to us, is Rs. 4,429.2 crores.

- Ashish Shah:** Sir, in the AP TIDCO, actually it was originally I think what was remaining was Rs. 4,502 crores. So that has come down all the way to Rs. 1,000 crores, is it?
- YD Murthy:** Yes, correct. See there was some descope of Rs. 1,300 crores, but because they are now-moving, see again they will have to make a pan distinction, they are not canceled, the client has not told us, but work also has not started. They have called us for discussion and we told them very clearly that unless outstanding bills are paid our work cannot be started. Now, these orders we are removing as a matter of precaution. Suppose tomorrow the client calls us back and says you start executing the orders and pay our outstanding base, they may as well go back into the order book. But because of the nine months delay in execution, proactivity we taken it out of the order book. In fact, last year also, if you remember, the Nauroji Nagar NBCC project, where they the dispute is there in the High Court of Delhi, because the order is not moving we have removed it from the order book. So, this is a proactive measure by the management. And our aim is to see that whatever we present to our investors is the executable moving order book.
- Ashish Shah:** Right. So this Rs. 4,400 crores is what remains?
- YD Murthy:** Yes.
- Ashish Shah:** And this is right now under execution?
- YD Murthy:** Yes.
- Ashish Shah:** So you would be expecting revenues from this in Q4, and next financial year as well?
- R.S. Raju:** Right now in execution is more than 50% of the works, and the balance works we are waiting for the payment, we have payments to get. From their side clearance is there, from their side they are asking us to do. But it is lingered with the payment, once the payment happens so that we start using the payment. So that the mechanism should be established in the AP governmental to engineering department. So, like that, some works where they felt priority they have given clearance, they are also releasing payments, and we are continuing those things. And just now they started releasing payments, in the month of January we received Rs. 20 crores related to the earlier eight, nine months back. So now they issued us very slowly project by project. So, accordingly the restart also takes place where the work at this moment is stuck related to some projects.
- Ashish Shah:** Sure. Sir, finally, outstanding exposure from AP, both in gross terms as well as what is the mobilization advance, and hence what is the net exposure?
- R.S. Raju:** Net working capital is now held up in all the project of AP is about Rs. 829 crores.
- Ashish Shah:** Sir, this is net?
- Management:** Yes, these are net.
- Ashish Shah:** What is the gross number?

Management: After excluding the mobilization advance?

Ashish Shah: Yes.

Management: The gross working capital excluding this mobilization advance is another Rs. 500 crores we have to add, so roughly Rs. 1,200 crores to Rs. 1,300 crores will be there.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir, this Rs. 7,000 crores of projects which you have kept aside now. So, what will be the NWC pertaining to only these projects out of the total exposure?

Management: Working capital?

Parikshit Kandpal: Yes.

Management: Rs. 288 crores.

Parikshit Kandpal: Rs. 288 crores pertains to this Rs. 7,000 crores of orders which you have basically kept aside as of now?

Management: Rs. 288 crores and also earlier whatever we removed, some Rs. 10 crores, Rs. 20 crores will be there. Totaling to about Rs. 288 crores.

Parikshit Kandpal: And gross exposure would be how much?

Management: Gross exposure also the same, there is no mobilization advance from those projects.

Parikshit Kandpal: Here only net working capital details is there, so we will tell you after getting the numbers.

Parikshit Kandpal: And are we looking as of now, still waiting for the government to get on this and we are not looking for any arbitration as of now, entering into any arbitration?

Management: No, no arbitration request. Government is clear, whatever work is done they agreed to pay, they are not disputing.

Parikshit Kandpal: So, this Rs. 288 crores will be paid by them?

R.S. Raju: The capital orders are likely to be cancelled, which has not happened as of now. Two things will happen when they cancel these orders, because the capital is moving from here. One is the outstanding bills of our company should be paid by them. Other one is, all our bank guarantees should be returned to us. That may happen in the next two, three months' time.

Parikshit Kandpal: And the PMAY order is not there in order book now?

R.S. Raju: PMAY affordable housing, residual order likely to be executed is about Rs. 1,015 crores.

- Parikshit Kandpal:** This has reduced from the scope, like Rs. 4,300 crores of the order is reduced to now Rs. 1,015 crores?
- R.S. Raju:** Yes, correct.
- Parikshit Kandpal:** But we won't take any hit on margin, it is just like the number of units have reduced, it's not that...
- R.S. Raju:** Yes, number of units have been reduced and there is no reduction in the costing also, they have to pay as Rs. 1,600 per square foot, that they are honoring for the residual order that is available now.
- Parikshit Kandpal:** Just last one, you have taken a diminishing value of the investment in subsidiary this quarter. So what is it? Like, which subsidiary you have taken that hit?
- Management:** It is relating to the international LLC company, where we are closing the business. And where whatever assets are there and other things, we are selling out. So the loss incurred on the sale of assets and also some loss on the operations. So, for that one we made provision exclusively, for that international company we made the provision of Rs. 23 crores.
- Parikshit Kandpal:** And nothing is required now, right? No more provision will be required?
- Management:** According to the workings projections, no more is required as of now.
- Moderator:** Thank you. The next question is from the line of Ajit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** This is Mohit Kumar. Sir, what is the order inflow guidance for the FY20 now? And how do you see FY20 and FY21 revenue panning out given all these cancellations?
- R.S. Raju:** See, in the first nine months of current year, we already bagged Rs. 3,371 crores of orders, and in the fourth quarter we are expecting, already LI is there for about Rs. 2,000 crores and a total of about Rs. 3,000 crores, which means for the year as whole, fresh order accretion is in the region of Rs. 6,500 crores to Rs. 7,000 crores. As far as FY21 is concerned, we have not yet worked out the business plan. We will work out the business plan shortly and present it to the board. And after the board approval we will be sharing it with you.
- Mohit Kumar:** Okay. And sir, when are we expecting Andhra thing? Do you think the government will get more clarity by end of, let's say, five, six months?
- R.S. Raju:** Already clarity is there. Now the residual orders to be executed by us in the state of Andhra Pradesh remains at Rs. 4,500 crores. There is good clarity. Only thing is that the formalities of canceling the Capital City orders, etc., is going to take place and the payments also to be received by us. And also our bank guarantees also should be returned to us.
- Mohit Kumar:** Last questions sir. On the revenue for FY 20, is there any revision of guidance for FY20?

- R.S. Raju:** Yes. You see, we have done about Rs. 6,000 crores of top-line in the first nine months of the current year, and the fourth quarter we are confident of delivering about Rs. 3,000 crores, that means about Rs. 1,000 crores per month, which should effectively take us to about Rs. 9,000 crores in FY20. And as you know, we were talking of about Rs. 10,000 crores guidance, but now I think we will be able to achieve only Rs. 9,000 crores.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, what is the bank guarantee that's likely to be received once all the formalities of the cancellation will be done?
- R.S. Raju:** About Rs. 1,100 crores of bank guarantees are there with the government of AP project, out of that I think some Rs. 700 crores, Rs. 800 crores is likely to come back, because there were Rs. 4,500 crores of orders were going to be executed, and retaining orders, again, there is no clarity. Suppose tomorrow they say some airport work please take up and pay our outstanding bills, there is a possibility that that also may continue. But Capital City there is no possibility because they are shifting the Capital City and so all those orders are going to be cancelled.
- Shravan Shah:** Okay. And secondly, you said that we would be likely to see a reduction in debt by end of March. How much reduction are we expecting? And second thing is, in terms of the CAPEX, how much more, I think Rs. 105 crores we have done in the nine months, so how much more we can get?
- Management:** There won't be any significant amount in the balance today, hardly Rs. 20 crores, Rs. 25 crores would be there.
- R.S. Raju:** As far as our debt is concerned, at the end of third quarter we are at Rs. 2,300 crores, our aim is to bring it down to Rs. 1,800 crores to Rs. 2,000 crores by the end of the current financial year.
- Shravan Shah:** So, this also includes the repayment from any of the subsidiaries, I think earlier plan was Rs. 100 crores every year, how much till now we have received and what is likely to be received in this quarter?
- R.S. Raju:** Current year NCC Urban is planning to pay us about Rs. 100 crores, but so far they have not paid. They are making some arrangements, and if those arrangements take place and the money is available to them, part of it out of receivables available and sale of receivables they are planning, other than that they are rising some loan against their complete inventory security, and if they succeeded that Rs. 100 crores is likely to come back to us.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhilipCapital. Please go ahead.
- Vibhor Singhal:** Yes. Sir, just a small clarification. So the Rs. 4,500 crores of orders that are still there in the order of book in AP, as of now we are not executing anything on them? We are waiting for the earlier payments to be released and only then we will start working more on them, right?

- R.S. Raju:** They are under execution, like I told you the ADB funded projects, Amrut projects, all those we are executing. And some orders are restored recently only last month, so execution will take some time. And also, I told the MLA quarters, in the capital city of Amaravati, that is ongoing.
- Vibhor Singhal:** Okay. So large part of these orders are under execution?
- R.S. Raju:** Yes.
- Vibhor Singhal:** Sir, just one more thing, any update on the arbitration from the Sembcorp arbitration that we are looking at? And also on the Taka Investment, earlier we had said that probably by March we are expecting the Sembcorp arbitration to get resolved. What is the update on that and as well as Taka one?
- YD Murthy:** Vibhor, March has not yet come, we are still in February. But in any case, the update that we have is, the arguments are likely to be completed by the end of March and the arbitration award to be received it may take another three months, so it is likely to be awarded all in September.
- Vibhor Singhal:** And Taka?
- R.S. Raju:** Taka we don't know, we are looking further out of court settlement with the people, the discussions are going on. We are trying to close it between Rs. 75 crores to Rs. 100 crores.
- Vibhor Singhal:** That will be the cost to us?
- R.S. Raju:** Yes, ultimate cost to us.
- Moderator:** Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.
- Dhananjay Mishra:** Sir, you mentioned there is delay from Telangana, Jharkhand and UP as well, so what is the outstanding amount which we have already bid? And how is the progress in last 15, 20 days?
- Management:** Last 15 days from Telangana no payments are received. In some segments for some projects they cleared, irrigation projects we got the payments and now there is not much outstanding in irrigation sector. In water, some products outstanding are there, one by one they are releasing based on their budget unavailability. So as on this date, in Telangana roughly Rs. 200 crores to Rs. 250 crores outstanding is there. So in Jharkhand and UP, they are relates to the electrical projects, that also they are releasing. Because of the change of the government another two months we lost in that one, otherwise we could have executed some payments in these two months period. So, nearly some Rs. 300 crores to Rs. 400 crores outstandings are there from UP and Jharkhand states. That also product by product we are getting, but not in the speed at which it is supposed to come or we expected.
- Dhananjay Mishra:** And UP?

- R.S. Raju:** Both Jharkhand and UP put together Rs. 400 crores outstanding are there.
- Dhananjay Mishra:** So, it will be released in next three months, can we expect?
- R.S. Raju:** Yes, three months we are doing several projects, not one project.
- R.S. Raju:** They are linked to dispersals from REC, some certification and payment is expected. Definitely bulk of it will be next year by March 2020.
- Dhananjay Mishra:** But we have not slowed down the project, we are doing it at normal pace despite this delay, all three states, right?
- Management:** Again, some slowness is there, not completely. Our people are also watching closely. So investing heavily in that also, again, not advisable. Only you have to watch how the funds movement from REC to the state and all the state mechanism, how much these are there that we are closely watching. Thereby, basing on the fund inflow our people our coming next to executing these projects. That also impacted my third quarter and also have some impact on the fourth quarter because of this. So, these are the payments by the electrical projects.
- Dhananjay Mishra:** And in terms of order inflows, why order inflow is coming down? Are we bidding slowly or we are not bidding at the right prices?
- Management:** In the first two quarters if we take, at that time we have the good order book, isn't it. So, at the time bidding we slowed down in the early part of this current year. But after this election result, after some changes from the new government, then we felt that, again, order booking is essential, now we are participating. But the order flow in the market also, post elections, is not there as much earlier we had in the last two years. And at the same time, some competition also going on. So as a result, order book is roughly Rs. 6,500 crores to Rs. 7,000 crores in the current quarter.
- R.S. Raju:** But I think it is a temporary nature, and you also should appreciate in the first quarter of the current financial year, because of general elections actually the tendering process has come to a standstill, then the new government are in place. Now, what is happening is the state government order award has come down substantially, mainly because many of the state governments are focusing on welfare measures and not on development measures. This is being felt across the board. And also, the Credit Suisse report saying that state government order award has come down. Added to that, National Highway Authority of India also, they have a target of about 8,000 kilometers to be awarded in FY20, and up to first nine months they have done only about 1,200 or 1,300 kilometers, they are still doing a lot of catching up to achieve the target. All these factors have impacted us to some extent. But we are confident, it is only temporary in nature. For example, last year we bagged about Rs. 25,000 crores of orders, FY19. In FY18 we got Rs. 25,000 crores of orders. So current year, deliberately because of good order award and because we wanted to consolidate our position, we targeted about Rs. 14,000 crores of orders in FY20, but that is not happening. But nevertheless, we are not much worried because of the national infrastructure pipeline and a huge order award

planned by various government agencies, it is only a matter of time we will go back to strong order award in FY21.

Dhananjay Mishra: Can we expect very good bump up in terms of order flow in FY21? I mean, like we received in FY18, FY17, maybe 2019?

YD Murthy: Yes. We are a front line company; we have got strong execution capabilities. We have got very good prequalification, we have a leadership position in buildings, roads and water pipelines, we are among the top three in all these sectors, definitely order flow is going to be picking up in FY21.

Dhananjay Mishra: Because off late, last two, three months all other players are getting good amount of orders but in case of us we are not getting.

YD Murthy: Yes, we are a bit unlucky. For example, in terms of affordable housing in Maharashtra, there were there four packages, we were also one of the bidders but we could not get it. Likewise, some road projects in UP we could not get, but we bagged this MSRDC road project in Maharashtra, which is the biggest package, about Rs. 2,850 crores. Unfortunately, the road works in the Amaravati city are likely to be canceled, so we have removed from the order book. But we have to keep moving on. See, only one state we have a setback whereas we are operating over 28 states, and a few order accretion is going to happen based on our capabilities and our prequalification.

Moderator: Thank you. The next question is from the line of Dipesh Agarwal from UTI Mutual Fund. Please go ahead.

Dipesh Agarwal: Good evening, sir. Is there any slow moving orders in our non-AP order book, which is like Rs. 20,000 crores odd?

R.S. Raju: We don't have any slow moving orders in the non-AP order book. Even the AP order book also, whatever is remaining is a moving order book, that's what we have clarified. We have proactively removed Rs. 7,000 crores because they are not moving and there is a question mark. Likewise, last year also NBCC we had removed because there was a questions mark. So the Rs. 20,000 crores is executable moving order book.

Dipesh Agarwal: Sir, on the non-AP side, is it fair to say that we would be able to execute at least 45%, 50% of the order book next year? Because a large portion of this non-AP order book is the orders which we got till March 2019.

YD Murthy: See, for non-AP, majors orders that we are doing are Lucknow airport, we are doing Patna airport, that is Airport Authority of India, it is a AAA rated agency and no payment difficulties. We are doing All Indian Institute of Medical Center, three campuses at three locations, each is about Rs. 1,000 crores order. Then we are doing Seabird Karva project, it is a defense project, again, payment problem is not there. MSRDC we are doing the Nagpur Mumbai Expressway. There was a slippage mainly because of heavy rains in the second quarter, but things are moving now nicely. They have declared financial closure, SPV has got funds with them. Despite change of government, the new Shiv Sena government is also supporting the project because of the regional connectivity and all.

So all these things augur well for us for the 21. And definitely good growth can be there but I cannot give you any number right now, because we have not worked out a business plan for FY21.

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

Parvez Akhtar: Sir, just one question from my side. Are we cutting only on EPC projects or are we open to take any kind of HAM projects or BOT projects also?

R.S. Raju: HAM, we are looking at maybe one or two projects we may take. But given a choice, we prefer EPC, that is cash contracts where we have got a strong execution capabilities. And also, we are focusing on the high end road projects like expressways, like we have done Agra-Lucknow ahead of schedule, got a bonus. Now, we want to repeat that in Maharashtra for the Nagpur-Mumbai Expressway. Likewise, any other expressway projects come where the competition levels are less and the order size are more, we would prefer to take up those kind of projects. Of course, we are bidding for NHA cash contracts also.

Parvez Akhtar: Sir, you obviously highlighted that there is a general economic slowdown, state governments also cutting their CAPEX and we are payment issues in some state governments. So, are there still any state governments where CAPEX is happening and where we are bidding or it's like...?

R.S. Raju: Not much, you are telling the right thing. In fact, that is what I was also mentioning. The order award by government agencies has come down drastically during the last six to nine months. And when and how it is going to restart we would wait and see. But central government agencies are likely to step up order reward from now onwards.

Moderator: Thank you. The next question is from the line of Jiten Doshi from BOB Capital Markets. Please go ahead.

Jiten Doshi: Sir, can you please give us a revenue record for Q3?

Management: Division wise?

Jiten Doshi: Yes.

Management: Building division Rs. 2,683 crores, Roads Rs. 792 crores, Water and Railways Rs. 1,320 crores, Electrical Rs. 792 crores, Irrigation Rs. 219 crores, Mining Rs. 214 crores, International Rs. 234 crores, Others Rs. 54 crores. Total Rs. 6,309 crores during the nine months period order executed or revenue reported.

Jiten Doshi: And sir, can you just highlight on the bid pipeline as we are expecting order inflows, as we said, in next two months. So what are the bid pipelines, in which segment or which particular projects we are targeting?

R.S. Raju: One segment that we are looking for is the bullet train package which the government is likely to call. We are tying up with other construction companies and forming JV, because the package size

are quite huge, Rs. 10,000 crores, Rs. 15,000 crores, Rs. 20,000 crores like that. In fact, the tender was to be submitted in January, but that got postponed to March. And when they call for tenders again, we will definitely participate. That is one thing that is looking good for us. Likewise, the metro projects where we are already doing a number of packages, in Pune, in Mumbai, in Nagpur, earlier we completed one package in Chennai, right now we are doing one in Bangalore, its looking good for us. There also we are looking at good opportunities. And again in affordable housing, we have got again strong execution capabilities. Now, CIDCO Mumbai is likely to call for tenders and we will definitely participate. So, the Building segment, which is the backbone of the company, having a 45% to 50% share in the order book as well as turnover of the company is likely to bag substantial orders as we go forward. Likewise, in Roads also, we are looking at good traction and good award of orders. Of course, we have been very conservatively and carefully to protect margins we never do aggressive bidding, but order accretion is likely to be there.

Jiten Doshi: Sir, in CIDCO, the next package, which is going to come, that would be how many packages in total for the next...?

Management: I should tell you, after the change of government, the Shiv Sena government is going slow on the affordable housing packages. The earlier government was likely to call for tenders after the election. And now we have to wait and see how things will develop. And also the NBCC order which is again we removed from the order book, but now the arguments have been completed in the Delhi High Court, the judgment reserved. And as soon as the judgment is announced, there's a good possibility that these orders can be executed, which means it will come back into the order book.

Jiten Doshi: So when is the final judgment expected?

Management: Date they have not fixed, but what we hear that the judges is retiring on 31st March. But what they are saying is, before he retires he will give the judgment.

Jiten Doshi: Sir, metro, which section we are targeting in terms of order bids?

R.S. Raju: Means?

Jiten Doshi: Which metro, like Kanpur, as we said we are executing in Mumbai, Pune, Kanpur, so where else you are targeting?

Management: I already told you what we have done and what we are doing. Already the order book in metro segment is not less than Rs. 3,000 crores after the execution. So, whenever the new packages are announced and the bidding takes place, we will definitely participate.

Jiten Doshi: Last question, Mumbai Nagpur expressway, what is the revenue run rate we are expecting in this quarter in FY21 and so far completed?

R.S. Raju: This quarter we expect to around Rs. 450 crores to Rs. 500 crores from that project, revenue, that is Q4.

- R.S. Raju:** Next year the project would be completed, with the balance will complete next year, about Rs. 1,100 crores to Rs. 1,200 crores by March we report, and the entire balance we expect to report as revenue in 2022.
- R.S. Raju:** There is a bonus clause, we are also targeting that and we want to complete the project ahead of schedule.
- R.S. Raju:** We have a good progress in that project, and we have achieved second milestone. But majority of companies they are finding difficult to achieve. But in case of NCC, we have successfully achieved the second milestone.
- R.S. Raju:** So, this will be the last question from the participants, already it's one hour. And after this we will close.
- Moderator:** Thank you. We will take one last question from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, I think somewhere in your remarks you said, I mean, you want to get your debt number down to almost Rs. 1,800 crores to Rs. 2,000 odd crores from current almost Rs. 2,360 crores. So, could you please help us understand the glide path? Because as I see it, we are targeting almost Rs. 3,000 crore of revenues in last quarter, so which essentially would need you to spend some money towards working capital as well. So, are we assuming any numbers from AP to come to you, I mean, the Rs. 800 crores of net working capital which is there, are we expecting a significant amount of that money come back to you or how do we achieve this target?
- R.S. Raju:** We have a lot of pending amounts with the clients and we have various sources to get two months period. And we hope that definitely about Rs. 400 crores, minimum Rs. 2,000 crores, thereafter Rs. 1,800 crores generally debt reduction will happen. Particularly in the March month, majority to the government clients they release the pending payments and also multiple payments. This is cycle ever year. So we have already resources pending payments, you take UP, Jharkhand, pending payments are there, in Telangana pending payments are there. AP, and I cannot be concerned totally in AP, only a little bit we are concerned from the AP. Even AP if I collect Rs. 200 crores, that is sufficient to achieve my target of reaching Rs. 1,800 crores or so. So we have several resources and we are confident to bring down debt to Rs. 2,000 crores or Rs. 1,800 crores.
- Prem Khurana:** And also if you could help us understand the LI that you spoke about, would you be able to give us a sense which all projects would these be? I mean, which segments and how many projects would these be?
- YD Murthy:** We have orders in pipeline, we have not got the letters of intent from the client, it is unfair on my part to disclose those numbers. As a matter of fact, there is 15, 20 days. As soon as we get the order, see we are already giving the monthly order amount, every month on the first of the next month we are giving. So kindly wait for some time.

Management: From all the segments are there, not one segment, building division is there, Electrical is there, Water is there.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to Mr. Vibhor Singhal for closing comments.

Vibhor Singhal: Thanks, Margret. On behalf of PhillipCapital, I would like to thank the management of NCC for giving us the opportunity to host this call. Thank you very much, sir. And wish you all the best.

R.S. Raju: Thank you.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes the conference call. Thank you for joining us. And you may now disconnect your lines.