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**The Listing Department**  
**National Stock Exchange of India Ltd**  
Exchange Plaza, C-1, Block G  
Bandra – Kurla Complex  
Bandra (E)  
**MUMBAI - 400 051.**  
Symbol: NCC

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

Dear Sir(s),

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

Please find enclosed herewith the transcript of the earnings conference call that took place on August 05, 2021 with analysts discussing about the performance & Financial Results of Q1 of the F.Y.2021-22. Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.

*16-08-2021*  
M V Srinivasa Murthy  
Company Secretary & EVP (Legal)  
Encl : As above

**NCC Limited**

(Formerly Nagarjuna Construction Company Limited)

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“NCC Limited  
Q1 FY2022 Earnings Conference Call”

August 05, 2021



**ANALYST: MR. ASHISH SHAH – CENTRUM BROKING**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY2022 earnings conference call of NCC Limited hosted by Centrum Broking 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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Shah from Centrum Broking. Thank you and over to you Sir!

**Ashish Shah:** Thanks, Rutuja. On behalf Centrum Broking, I welcome everyone to Q1 FY2022 earnings conference call of NCC Limited. Today, we have from the management Mr. YD Murthy – Executive Vice President (Finance), Mr. K.K Rao – Executive Vice President (Finance and Accounts) and Mr. Durga Prasad – Joint General Manager (Finance). We will begin with opening remarks from the management after which we will have the Q&A session. Over to you, Sir!

**YD Murthy:** Thank you Ashish. Good evening to all the participants. I am YD Murthy – Executive Vice President in the company and will take you through the Q1 results of the company. Initially, I will make a few comments and then we will discuss the Q1 results.

First of all, as you know, the economy is an uptick and things are definitely improving for the economy and improving for the construction industry also and if you make comparison of Q1 FY2021 and Q2 FY2022, both the quarters there were pandemic and the economy was badly impacted. In fact, April 2020, there was general complete lockdown, the supply chain was disrupted because the National Highways were closed, so we really suffered and therefore in Q1 FY2021, the economy shrunk by about 23.9% and the biggest contributor to that shrinkage was the construction industry which reported about 50% shrinkage in Q1 FY2021 that is very abnormal.

We also reported about 40%-42% decline in turnover in Q1 of last year whereas in the current year, that problem is not there. The supply chain is not broken, the highways are open and raw materials supply is there and also in Q1 FY2021, the clients have told us to stop the work at project sight particularly in the month of April and May till the lockdown is lifted which means what, at the project site, even if I have the raw material, even if I have the manpower, I will not be able to execute the projects because the client has told me not to execute the project, it is as simple as that whereas in Q1 FY2022 the problem is not there, the supply chain is intact and also the migration of labor was also relatively less, but in the current year in Q1 we had sporadic cases of COVID-19 coming that way some of the project sites but we have taken remedial measures to see that the problem is contained well

in time and that has helped us very nicely.

As far as the order booking is concerned despite COVID-19, last year we had bagged about 19000 Crores of orders that is demonstrated government desire to kick start the economy by calling for lot of tendering for development of physical infrastructure and we being one of the frontline companies were able to take advantage of that. In fact, last year we have exceeded the guidance as far as order booking is concerned because we have got about 19000 Crores of orders.

Now, the tempo is likely to continue in the current year also. Already in the first four months of the current year, we bagged about 4000 Crores of orders but the issue of giving guidance for FY2022 was discussed in our board because of the uncertainty and also the third wave of COVID expected in the month of August and also September, the board has felt that we cannot give any guidance as far as the topline and as far as the order accretion for FY2022 are concerned, so that is the situation as far as guidance is concerned, but we are sitting on good order book of nearly 39000 Crores and most of the orders are under execution.

We have got strong execution teams for taking care of completing the projects that will help us and I am quite sure though I cannot give a number because of the board direction, FY2022 should be far better than that of in FY2021 in terms of topline and in terms of bottomline. As far as the macro environment is concerned for FY2022, we are looking at with Jal Jeevan Mission as a thrust area for us, you must be aware the Central Government has made it a national project, supply of potable drinking water to all the citizens in all the states and all the villages and also the last mile connectivity.

The Jal Jeevan is a Central Government sponsored project and that is likely to be implemented across the country. In fact Telangana was first state to start mission Bhagiratha and complete the project now that is going to be replicated across the country with the help of the central government. We bagged already may be aware some orders in the state of Uttar Pradesh about 6200 Crores under Jal Jeevan mission and now other states have started calling for tenders, recently Madhya Pradesh has floated the tenders likewise Maharashtra is also planning, so we will participate there also.

So as far as FY2022 is concerned because we have done the mission Bhagiratha in the state of Telangana earlier and we have got a strong execution team in our water and environment divisions we are confident that we will be able to bag similar orders in other states also as we go forward, so for the current year, we are looking at the affordable housing projects and also the Jal Jeevan mission to be drivers of growth, drivers of order book as far as NCC is

*NCC Limited*  
*August 05, 2021*

concerned. Added to that perhaps you will be aware, we have got strong mandate and a strong leadership position in the verticals of buildings, water pipelines and road projects. In fact these three verticals put together constitute about 75% to 80% of our order book as well as turnover of the company. We will have a leadership position in all these verticals particularly in buildings 1000 Crores and above we are able to bag substantial orders, we are doing about four medical campuses for all India Institute of Medical Sciences in various locations and also we are doing two airport projects one is the Lucknow airport and the Patna airport for the Airport Authority of India, we were doing some defense projects, two packages we have got from the Indian Navy for the Seabird Karwar project in Karnataka that is also going on well.

Now the Central Vista project in New Delhi, the parliament buildings about 19000 Crores worth of building projects are likely to be called for tendering will definitely participate in those orders also and try our luck there and we are quite active in the metro projects. We are doing two packages in Pune, one or two packages in Nagpur, one package in Mumbai, earlier we completed one package in Chennai and one package we are doing right now in Bengaluru city, so the metro is also a very good thrust area, payment package is good and we have got strong execution capabilities in the metro projects also.

Likewise in roads we are doing the Nagpur-Mumbai Expressway about 2850 Crores package given to us by MSRDC. I am glad to inform you that the project is progressing well despite COVID-19 and we are able to complete almost 90% of the project and the government has mandated various agencies to give a cushion of about 6 months for completion of the projects and if that is granted, there is a good possibility and we get a bonus also in that project. So roads we are looking at positively. We are excited with expressway earlier we have done the Agra-Lucknow expressway successfully, now we are doing the Nagpur-Mumbai expressway and here also we are targeting the bonus and also we are looking at hybrid annuity project we started bidding for them. So, currently year also these three verticals that is buildings, roads and water pipelines will form the backbone of the company and substantial order accretion we are expecting this segment also.

As far as the payment cycle is concerned, things have improved. The Central Government agencies, we work with AAA rated companies and once their work is done and bill is certified, our payments are coming in time, in fact the Finance Ministry has also directed government agencies to see that the payments are released to contractors provided the work is done and bill is certified, so that the wheels of the economy is moving, that is also helping us in many ways but we have some difficulties as far as the State Government projects are concerned mainly because there are some delays in payment of bills by the state government agencies mainly because of COVID-2 and their focus has shifted to welfare

measures and healthcare measures and payments to contractors are in the backburner but we are pushing them and seeing that payments are received, there are some delays but payments are coming there also.

As far as liquidity is concerned company is well placed and we are able to comfortably navigate in difficult times. We have not defaulted to lending consortium banks. All payments are made on time, be it LC payments and also interest payments and also term loans installment payments to various financiers. We have taken the COVID loan given by our consortium banks at a concessional rate as mandated by Reserve Bank of India and that also helped us and liquidity wise, we are comfortably placed and also many of our projects mobilization advance is being released by the clients that is also helping us to see that our cash flow is well maintained.

As far as the interest rates are concerned, we were able to successfully to bring down the blended cost of borrowings to below 9% and many banks have passed on the benefit of policy rate reduction by the Reserve Bank to company like us particularly because of our long-term relations with the banks and also because of our rating and our track record of having all our commitments, so we do not see any difficulty on those lines.

As far as bank guarantees are concerned again there is some good improvement. The Finance Ministry last year has given a relief to construction companies by permitting the reduction in the performance guarantees value on a prorata basis linked to the progress of the project. If the project is completed 50%, the performance guarantee value can come down by 50%. That was a big relief to companies like us and during the last 15 months, we were able to bring back about 1000 Crores worth of guarantees from various clients, so those guarantee limits are available to us for our future projects.

Another relaxation given by the Finance Ministry because of COVID-19, the performance guarantee requirement has been brought down from 10% to about 3% and also, they have dispensed with providing bid bonds at the time of bidding for the projects. All these measures are helping the company to see that enough bank guarantee limits are available for new projects for bidding and taking up the projects.

Our bankers also sanctioned additional financial assistance say State Bank of India, Karnataka Bank, and some other banks in the consortium., now we are comfortably placed as far as the bank guarantee limits are concerned, as far as the LC limits are concerned, as far as fund based limits requirement is concerned. So, company is definitely on a good growth path, lot of opportunities is available. We started bidding for the High-Speed Rail projects also, we have tied up with another construction company as our partner and

typically we are bidding for bigger packages of 10000 Crores and above for the High-Speed Rail projects and we are confident that some projects will definitely come to us.

These are the broad picture I wanted to give as far as construction business is concerned and companies positioning in the construction industry are concerned. Now I request my colleague Mr. Krishna Rao to talk about the Q1 results.

**K.K Rao:**

Very good evening to you all. Thank you, Sir. To begin with the order book summary is like this. Orders on hand at the beginning of the quarter were 37929 Crores, new orders received during the quarter 3171 Crores. Works executed during the quarter, 2012 and the closing order book as at the end of the quarter is 39087 Crores.

The turnover part, the company achieved a turnover of 1912 Crores including other income in Q1 as against 1211.41 Crores in the corresponding quarter of the previous year. As a result, the increase in turnover is 58% year-on-year basis. The company has reported EBITDA of 199.68 Crores and net profit of 51.68 Crores as against 115.63 Crores and 16.93 Crores reported respectively in the corresponding previous year. The turnover numbers on a consolidated basis are the turnover during the quarter is 2083.21 Crores as against 1328.71 Crores resulting the increase in turnover of 57% on a consolidated basis. The company has reported EBITDA of 211.25 Crores and a net profit of 49.95 attributable to shareholders as against 124.82 Crores and 15.68 Crores respectively in the corresponding previous year.

Now we will analyze the expenditure. Salaries and allowances during the quarter Q1 of 2022 many new projects have started, operations are going like full, and the salaries and allowances compared to the corresponding quarter 9 Crores is increased which is primarily on account of increase in headcount and administrative cost is more by 15 Crores because in the corresponding previous quarter there were restrictions in the movement, many states lockdown was imposed. Now, it is not there and people are moving around to the projects and continuously the operations are on apart from there is a provision of 6 Crores in the year and CSR we have spent 2 Crores, these are with regard to the administrative and interest during the quarter, there is 12 Crores reduction compared to previous quarter. This is primarily the repayment of the loans, number one and reduction in the interest rates that is what my colleague mentioned. With this, we are going to stand at EBITDA level for Q1 10.6% as against 9.8% of the corresponding quarter of the previous year. Now the EBITDA level at the consolidated level is 10.2 and 9.6 of the corresponding quarter of the previous year.

Now I will take up the order book division wise. Building division at the beginning of the



quarter 21157 Crores it represents 56% and the closure is 22183, it represents 57%. Roads beginning was 1954 Crores and at the end of the quarter 1532. Water and environment 7078 Crores at the closure of the quarter 7980 and electrical, irrigation, mining, and other divisions it remains no change mostly, the closing of other division say electrical is 2215, irrigation 2406, mining 2528 and others altogether 229 with this closing order book 39087 Crores.

Now the receivables, the debtors outstanding at the end of the quarter is 2600 Crores and the debtors collection period is 125 days as against 134 days of the corresponding quarter of the previous year.

Now the capex for the year, we have the capital budget of 250 Crores and for Q1 38 Crores. The debt position at the end of the quarter, we have for the standalone at the end of the quarter 1936 Crores, there is a reduction of 147 Crores. There is an increase because of the utilization of the working capital loan and on a consolidated basis, the debt closing stands at 2135 Crores, an increase of 73 Crores compared to previous quarter and the loan rate of interest, there is a reduction to the tune of 0.43% and AP orders including the AP new orders we have as at the end of the quarter 5214 Crores and the receivables there is reduction in the receivable to the tune of 18 Crores and retention money to the tune of 6 Crores. So the receivables stands at the end of the quarter 233 Crores and BGs there is reduction in BGs as against 914 Crores, we have 856 Crores, we were able to collect then 58 Crores and balance sheet investment with regard to the investment there is a reduction to the tune of 16 Crores, and trade receivables there is a decrease to the tune of 47 Crores retention money, there is an increased to the tune of 8 Crores, unbilled revenue increase 217 Crores and cash and cash equivalent, there is a decrease to the tune of 123 Crores. Margin money there is an increase to the tune of 57 Crores where we are participating into the more tenders and with regard to the borrowing there is utilization of working capital it is more by 208 Crores and other borrowings, loans and the equipment term loans there is a reduction to the tune of 62 Crores, mobilisation advance there is an increase to the tune of 114 Crores.

With this, I wish to conclude from my end. Now, I will request my colleague to take forward.

**YD Murthy:**

One or two points to add to what our colleague has told as of the results. Subsidiary companies and JCVs of NCC reported as of now 172 Crores and profit 2.2 Crores in Q1 of the current year. The subsidiaries in Oman and Dubai, put together reported a total number of 2.9 Crores and a loss of 23.14 Crores. As you know, we are winding up our business in the Gulf region, and this is last time they were showing some top number other than that the only that the residual works and are closure of the business there is happening.



Other one is NCC Urban they reported a turnover of 30.74 Crores, our real estate subsidiary in India and a loss of 1.51 Crores. NCC Infrastructure Holdings, our holding company for BOT projects reported a turnover of 0.12 Crores and a loss of 0.54 Crores. OB Infrastructure was 24.80 Crores turnover and profit of 4.39 Crores, Pachhwara Coal Mines turnover of 129.5 Crores and a profit of 3.79 Crores. So, the total from all the subsidiaries and associated companies put together, the turnover is 171.52 Crores, and the PAT is about 2.2 Crores. So, this is uptake in the consolidated balance sheet of the company of which you have already given the details.

As far as the finance cost is concerned, my colleague has already mentioned, the finance cost has come down by about 12 Crores compared to Q1 of the previous year. Likewise, in the last year also the finance cost has come down by about 60 Crores for the period as a whole FY2021. So, we are putting lot of efforts to see that the costs are cut as much as possible and the details of the finance cost that is about 103.72 Crores that we have incurred in Q1 comprise of interest on a term loan 6.39 Crores, interest on cash credit and WCDL 36.58 Crores, interest on mobilization advance 28 Crores, interest on others 1.72 Crores, BG commission 26.9 Crores, LC commission 2.86 Crores and bank and other finance charges 1.21 Crores. The total for the quarter is 103.72 Crores as compared to Q1 of last year it is less by about 12 Crores.

Debt we have already covered and now loans and advances to of our group companies has come down to about 295 Crores, investment and associates is about 998.54 Crores that comprises of our equity investments and group exposure is our 1284 Crores. In Q1 last year is about 1472 Crores, it has come down by about 188 Crores that is mainly because of repayment of debt by NCC Urban to the parent company and also conversion of debt into equity in the books of NCC Urban pertaining to parent company. Cash and bank balances 373 Crores is there. Inventories raw material is about 511.9 Crores and property development cost is about 15 Crores, total inventory is about 527 Crores. Trade receivables we have already covered. Depreciation is about on a consolidation is 45.91 Crores. Standalone depreciation is 44.7 Crores as compared to Q1 of previous year is 43.5 Crores. Other income is that is 19.29 Crores. Details of interest income are 13.31 Crores then miscellaneous income is 4.62 Crores, rental income is 0.3 Crores, profit on sale of fixed asset is 0.23 Crores.

These are the details which we wanted to share with the investors. Now, I request the participants to ask questions and I request you to restrict your questions to not more than 20 questions and each participant should not ask more than two questions because of paucity of time. Now, we can open the session for discussion.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shravan Shah from Dolat Capital Markets. Please go ahead.
- Shravan Shah:** Thank you. You have already said that we are not giving the revenue guidance and order inflow also but in terms of the EBITDA margin, last time we have spoken about 11.5% kind of in things are normalized, so how do we now look at for full year EBITDA margins absolutely and secondly, in the standalone date which has increased close to 150 odd Crores versus March, so how do look at for the full year EBIT level?
- YD Murthy:** First EBITDA margin FY2021, we reported EBITDA margin 11.8% as compared to 12.5% in the previous financial year that is March 31, 2020. As far as the current year is concerned in Q1 we reported EBITDA of 10.55%, which is slightly better than 9.8% reported in Q1 of previous year but it is less than the total EBITDA margin of 11.8% reported for the year as a whole, that is understandable because of the pandemic and margins took a beating because of the commodity prices have gone up quite high. We did actually lost about 1% in our gross profit margin level, so the 10.55% for Q1 current year is understandable but for the year as a whole, we are targeting EBITDA of 11.75% to 12% as reported last year. We are confident we will be able to bounce back as far as the EBITDA margins are concerned and also the PAT levels also has improved nicely in Q1 of this year as compared to Q1 of last year and the PAT margin also improved Q1 of last year is about 1.4%, now it is about 2.7%, we are expecting further increase in PAT margin and we are confident for the year as a whole, a PAT margin of 3.5% to 4% could be achieved. Now, what is the other question please?
- Shravan Shah:** I was asking in terms of the standalone debt which has increased to now 1936 odd Crores, so how do we look at and as the same time in terms of the interest cost which has absolute reduced for the quarter it is already 103 odd Crores, can we look at around 400-420 Crores or it will be closer to the last year of 460 odd Crores?
- YD Murthy:** Yes, last year we the finance cost is about 457.78 Crores, this year Q1 is 103 Crores. We are confident year as a whole the finance cost should be between say 432 Crores and 450 Crores for the current financial year and also reduction of debt, various elements are there in this. We are trying to do our best to see that the debt levels are reduced. Last year we reported debt equity of 0.3:1 which is one of the best in the industry but in Q1 some increase is there in the debt mainly because of the utilization of working capital limits over banking systems, that is in turn because of some delay in payments by various government agencies particularly the State Government agencies in our electrical division payments was delayed in the state of UP and Jharkhand and that created some difficulty but debt levels have gone up but we will believe it is temporary in nature and going forward if you see the

year end debt, for example, in 2020 our debt reported at the end of the FY2020 1910 Crores last year that is FY2021 it is 1788.9 Crores that is reduction in debt by about 130 Crores or 140 Crores compared to the previous year. Similar thing, we are targeting 2020 it has gone up to 250 Crores because of the pandemic and all those things are there but current year, we are confident we will be able to come back to that March 2021 level of debt let us say about 1780, so in fact there is a possibility there could be a further reduction in debt to a level of let us say 1500 Crores to 1600 Crores. We are saying to monetize some of our assets and if that materializes in the current financial year that will help us to bring down the debt level further.

**Shravan Shah:**

Thank you.

**Moderator:**

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

**Mohit Kumar:**

Good evening, congratulation on good order accretion in the quarter and in the July especially. First question at the end of June 2021, out of 100% of order book work on the 25% has not started, has there been any increase or decline in that number and work and related question is work on the UPJJM or the declaration of UPJJM revenue will it start in the second half?

**YD Murthy:**

As far as the 25% you are talking about one thing is UP is that there was Rs.6200 Crores of Jal Jeevan Mission project in December but that what still we have to start that is one thing that is delaying it. Other than that whatever projects we have received say in the month of February – March FY2021 those orders for us to mobilize and the start work at project site and for the client to give us notice to proceed etc., handing over the project site and all it will take at least three months to four months so because of that also the works would have not have commenced. That is a normal track nothing to worry about that. But once the work starts the execution can pick up faster and quicker. That is the point I want to make, what is the other one you asked?

**Mohit Kumar:**

These answers mostly. So, secondly any update on your Rs.2.3 billion dues stuck on the AP projects and on the real estate monetization of Vizag Urban?

**YD Murthy:**

As far as AP is concerned, we already told you the figures particularly the receivables and all that. We got payment of about Rs.450 Crores from the government of AP agencies during the last 15 months i.e., full year of last year and three months of current year and also number of bank guarantees have come back and we have proactively taken up the matter with the government agencies in AP and we requested them to adjust the

mobilization advance available that is lying with us against the payment of this that also has helped us to bring down the outstanding by about Rs.250 Crores or so. Now, the residual bills to be paid there are some delays, we are also taking up the matter with the government agency. In fact we were recently in Vijayawada discussing the matter with the top people in all these organizations. They in turn got the government approval to borrow about Rs.3000 Crores with government guarantee, the government has given GO in fact they gave us a copy of that GO and they are in the process of tying up the debt predominantly to see that the outstanding bills of contractors like us are paid and also the outstanding work is also completed. So, we are expecting progress in that direction in the current financial year.

- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir, my first question is on you said that you are winding up the international operations, so just probably over the last quarter revenue. So, how much of cash inflows we can expect from the winding up of this operation?
- Durga Prasad:** Again, international operations there are two things, one is Oman entity another one is Mauritius. The Oman operations we are completing the pending order worth about Rs.17 Crores.
- YD Murthy:** Mr. Durga Prasad our Associate Director, Mr. R. S. Raju is there, he will be able to brief.
- Parikshit Kandpal:** Hi! Raju Sir Parikshit here, my question was how much of the inflows can happen to NCC by winding up the international operations, so whatever is the pending receivables collections may specific and give a ballpark number how much you can expect receives from winding up operations?
- R. S. Raju:** As far as the operations are concerned in Oman all the contracts to be completed. In Qatar one project is there and it takes another four to five months to close. On a residual amount of about Rs.20 Crores – Rs.25 Crores is there to complete. So, as far as the operations are concerned are over, only the final bills and somewhere some claims are there those amounts have to be realized. So, that again the size of the amounts pending as on the date is about Rs.290 Crores are there, so these Rs.290 Crores more than 50% of the amount will get realized by December 2022 and the balance some claims are there that they are scheduling realized in 2022 – 2023. So, only two aspects, one is completion of the operations that is over and other one is realization of this one and the fixed assets are also 90% of the assets whatever were there they sold there, and the bank loans are concerned all the loans are cleared except the big discounting bills which get cleared on receipt of the corresponding

bills. So, the international also repatriating some of the amounts to parent company on month-on-month basis since there is no further requirement. So, on realization of these amounts the company the company is planning to send the amount about Rs.100 Crores in the year 2021 – 2022. So, that is their plan of action.

**Parikshit Kandpal:** Second question was on the realization projects so just this fight going on between the central government and the state government and so has the work stopped all together for the central or the works are continued, if you can just update on the status of the realizations project?

**R. S. Raju:** In Oman?

**Parikshit Kandpal:** No, Sir projects in AP and in Telangana, whether the projects continue, or they have been stopped as per the central government advice?

**R. S. Raju:** In AP?

**Parikshit Kandpal:** Yes, for your irrigation project?

**R. S. Raju:** In AP only the projects which are related to the capital city projects they are not running we have stopped those things. Only we are looking for the settlement from the government and government is also working is also working on that basing on our persuasion and we understand that some of the projects in the capital city they provide those projects, and they may ask to complete certain things, but the clarity has not yet come. So, they descope some projects to close and some projects they may close as it is. So, like that are there as far as capital city projects are concerned and to continue those projects the department also is pursuing for the project, and they are trying for the loans and the loan tie up they want to first make and then give the clearance to carry the works. As far as APTIDCO projects are concerned whatever we have done on that one majority of the payment they released, and balance payments are all there and as and when they are asking partly, we are doing on that one APTIDCO projects. Other than those projects rest of the projects wherever are there they are going but not at the higher level but at lower level the projects are carrying based on their payments and based on the budget allocation.

**Y D Murthy:** Just one more point on this as far as the capital city is concerned, we are doing the associated building project about Rs.470 Crores or so that is going to be cancelled because the administrative office is being shifted to Visakhapatnam in that we have done about 10% to 15% of the work and that is likely to be cancelled that is descope already. The client has to settle our bills. The other one we are doing is MLA quarters, because Amaravati is going

to be the Legislative Capital of the state though that building work is going on in fact government also told us to complete that project already 75% - 80% of the work has been completed and that also will be completed soon.

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

**Vibhor Singhal:** Good evening Sir. Thanks for taking my questions and congratulations on strong performance in this critical time. Sir, two questions from my side, one is I think as someone has asked before basically, what is the timelines that we are missing for the Jal Jeevan Mission projects. as you mentioned that we are not yet started on those or execution on those projects. So, by when do we think that the execution will start and revenue will start flowing into those projects and secondly you mentioned about the Bullet Train projects, so as we understand the earlier packages which were all to be awarded in Gujarat have all been taken up by L&T and the remaining packages which are there in are in the state of Maharashtra, there I think there is not good enough support from the state government in terms of land acquisition and other clearances.. So, if you could just tell us what is the status of those packages in Maharashtra and what is the clarity given to you by the department in terms of when these projects would come up for bidding?

**YD Murthy:** There are some more packages likely to be called for tendering in Gujarat and we will definitely participate there. As far as Maharashtra is concerned there is no clarity unless the state government acquires the land and makes it available for the project companies for execution we have to wait and see. You are right all the previous project packages have gone to L&T, but we are definitely the base as far as high-speed rail projects are concerned. What is the other question you asked?

**Vibhor Singhal:** Sir, on the Jal Jeevan Mission project when do you think the project completes?

**YD Murthy:** We have to develop the detailed project report, submit it to the government agency who is authorized to approve the project usually the District Collector or somebody and once that is approved, they will give us the go ahead and give us the mobilization advance with bank guarantee as security and all and the entire process they have given as out of limit of about 18 months. Now, district wise we are taking it up. The project reports getting ready, if got delayed somewhat by about two three months but very shortly we are expecting their approval for go ahead in one district or two districts. Once it is approved, we have to complete it within a period of three years. So, the project delay is there, but it is likely take off now.

- Vibhor Singhal:** So, Sir when can we expect revenues to start coming in that is the first rupee of revenue to start coming in from this project?
- YD Murthy:** Maybe in a month or so.
- Vibhor Singhal:** In a month or so?
- YD Murthy:** Yes.
- Vibhor Singhal:** Thank you for taking my questions and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Thank you for taking my questions Sir. Sir, two questions, one was in your remarks you spoke about the infrastructure and annuities when I look in the commentary it is already given as the idea is to try and conserve cash which is why we are planning to exit all your international ventures and the idea to that sell some real estate that is what I am trying to be urban state as well which clearly comes to imply that you are looking at cash flow, given this backdrop why is it planning to get into hybrid because hybrid I understand kind of investment I would go would not be comparable to the number that we used to have with BOT toll, but it still would require to kind of infuse money, so if you could help us understand this?
- YD Murthy:** I got your question let me answer that, given a choice we prefer cash contracts as far as the road segment is concerned. We have shown our propensity to bag the extra space etc., and also we have demonstrated our capability to execute them faster and quicker that will continue, but because the hybrid annuity of this is also comparatively looking better compared to BOT projects and a large number of hybrid annuity projects are coming and we also would like to test the waters have a foothold in the hybrid annuity project business and we have got a strong balance sheet and have good linkage to the banking system in terms of tie up of debt etc., for the SPV. So, we are looking at hybrid annuity also as a possible destination, but our focus will remain on cash contracts as far as the road projects are concerned and maybe we will take up hardly one or two hybrid annuity projects and our balance sheet will support that without much difficulty.
- Prem Khurana:** Okay, and Sir what kind of IRR would you target if you are going to try and get it?
- YD Murthy:** That is difficult to say at this stage let the project comes then I can share with you because there is O&M also involved in that. We are also looking for a partner to participate on the



equity side right from the beginning. We can agree IRR and things like that. So, I cannot discuss about that at this point in time.

**Prem Khurana:** Sure, in the last quarter you had given the breakup that be able to take up for AP in terms of running orders and stuck orders is its possible share that numbers and also if you could share cash in bank balance as of 30<sup>th</sup> June on standalone basis?

**YD Murthy:** Yes, AP projects receivables my colleague Durga Prasad will explain to you.

**Durga Prasad:** As far as the receivables are concerned the running projects as on 30<sup>th</sup> June Rs.174.54 Crores, capital city projects Rs.58.87 Crores. Total net receivable is Rs.233.41 Crores. So, as far as unbilled revenue, work in progress is concerned running projects it is Rs.215.10 Crores, capital city stuck projects Rs.122.39 Crores. So, total work in progress unbilled revenue it is Rs.337.49 Crores. So, receivables plus WIP put together is Rs.570.90 Crores, in addition retention money receivable is Rs.278 Crores. So, this is the status.

**Moderator:** Thank you. The next question is from the line of Zakir Nasir from Nasir investment. Please go ahead.

**Zakir Nasir:** Sir, congratulations on a reasonable set of numbers considering the bad times. Sir, you have not given any guidance, but could we assume that the first quarter is not full potential quarter and clients asking you start work July have they reverted their years times and the work has started? Thank you, Sir.

**YD Murthy:** Yes, work has started definitely we have an advantage because we are starting the year with a good order book of nearly Rs.39000 Crores and we have got strong execution capabilities, definitely FY2022 should be far better than FY2021 as far as topline is concerned, as far as bottom line is concerned, but I cannot give a number because the board has decided not to give any guidance. My gut feeling is at a personal level easily 20% to 25% topline growth in FY2022 can be achieved as compared to FY2021.

**Zakir Nasir:** Fantastic that would take you towards Rs.10000 Crores. Thank you, Sir and best wishes for the year. Thank you.

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

**Ankita Shah:** Sir, basically my question was on the interest expenses guided for Rs.450 Crores of numbers for this year also which is almost like flattish as compared to last year. This is despite you have been highlighting the reduction in the interest expense and the bank

guarantee and bank commission charges. Also, you are guiding for a lower leverage and reduction in debt, so why not reduction in interest expense?

**YD Murthy:**

I will explain. See we will call it is a finance cost. It comprises of various elements, interest is one portion of that other one is the bank guarantee commissions, the LC commission even interest on mobilization advance which is the advance when the client is giving to us. Now, you will appreciate we have mobilization advance outstanding of about Rs.1400 Crores on that also we have to pay interest to the client. So, all these are taken into account, so a sensible way of looking at it is what is the proportion of the finance cost through the turnover of the company, we normally see that it is maintained around 5% or so, so in the current year also we are targeting the same number despite reduction in the interest cost and one more thing that I would bring to your notice is, the commission on bank guarantees has not come down on the contrary it is increased. Because the Reserve Bank has mandated on bank guarantees also full capital provision should be made by the banks earlier it was 50% now, they have made it 100%. So, based on this, they are working out the return on capital employed on bank guarantees and so the commission rates have gone up across the board for all the construction companies including our company and so that may not be likely to come down. So, I believe Rs.450 Crores for FY2022 should be reasonable that this finance cost includes various other elements also other than the interest cost. The interest cost has come down nicely and we are thankful to the banks for extending that interest cost reduction to our company based on our rating, based on our conduct of accounts and also our long association with the banks etc., but the finance cost cannot disappear from the balance sheet. It has got to be there and if I do a turnover of Rs.9000 Crores and if I pay say about 5% on that Rs.450 Crores or so, I should be ready to accept that.

**Ankita Shah:**

Secondly on your debt collection period of 125 days this continues to remain elevated as compared to 127 days as on March year end. So, that is almost Rs.2500 Crores of total receivables and out of that I see around Rs.200 Crores would be from AP then which are the other key receivables which are pending, and do we see any kind of reduction in the near term?

**YD Murthy:**

Madam you have to realize that this is a difficult year, the pandemic year, the entire industry is suffering, the economy is suffering, economy is shrunk, so all these issues are there and also I briefly made a reference in my opening remarks that the payments from the state governments are coming a bit slow mainly because their focus is on containing the pandemic and also they are focus is more on health care measures and welfare measures. Now, AP definitely the issue is there we have already discussed I told you that the government is planning to borrow money and to pay all our bills etc., other than that we have delay in the payments in the state of Uttar Pradesh and Jharkhand in our electrical

division. Those payments have to come from REC at least 90% of the payment from the central government agency there is some delay, but I think the payments are likely to be received very shortly. So, we have to see the macro environment how it is standing out and 125 days the debt collection period is definitely on the high side but if the economy improves and things will fall in place, I think the debt collection period comes down to below 100 days.

**Ankita Shah:** Sure, could you please help me with that UP and Jharkhand electrical project receivable numbers?

**YD Murthy:** Durga Prasad, do you have those numbers?

**Durga Prasad:** No, I will share it with Ankita Sir. Tomorrow I will share it.

**Ankita Shah:** No problem Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Thank you very much, Sir. Sir, I have two questions, the first one is on the debt side you did speak about debt reduction. Now, my question pertains to FY2023, since you are expecting debt reduction by the year end, year-on-year FY2023 your interest cost should decline as compared to what outlook you had given for FY2022?

**YD Murthy:** We have to work out a business plan for FY2023 other than that I cannot give you outstanding numbers but definitely the direction, the management is very keen that the debt levels in the company should come down gradually that is happening, we are already looking at some asset monetization if those money are received that will also help us to bring down the debt levels. If the client payments improved because economy has improved again, our requirement to draw debt will come down drastically. All these things are there and our aim to see that FY2022 the debt level should come down to at least by another Rs.200 Crores which means about Rs.1500 Crores to Rs.1600 Crores as compared to March FY2021.

**Deepak Poddar:** Okay, so debt level you mentioned about Rs.1500 Crores to Rs.1600 Crores this year, right so is there any kind of target we have for FY2023 as well?

**YD Murthy:** That again we have to work out the business plans for that year that is too early to predict anything, what will be the turnover, what will be the order execution, how much of mobilized advance that I will get and my execution cycle, based on that how much debt I

withdraw and based on that how much bank guarantees I take all those things are involved in that.

**Deepak Poddar:** Understood fair enough. That is it from my side. Thank you.

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

**Parvez Akhtar Qazi:** Good afternoon, Sir. Thanks for taking my question, I have two questions from my side, first if you could tell us about the status of asset monetization plans that we have like for NCC Urban, Vizag and second also if you could tell us about the status of the arbitrations for SembCorp and ?Taqa Thank you.

**YD Murthy:** Yes, as far as NCC Urban Vizag is concerned the good news is got the cabinet approval from the state of Andhra Pradesh and we are on track to execute the mandate given to us i.e., converting the property into the free fold property. We have identified a buyer who is likely to bring that money. The government has decided at revenue share to be paid for conversion of this property to a free hold property some Rs.97 Crores and then it has to be registered in favour of the project company that will cost Rs.80 Crores all that money is coming from the incoming investor, so we need not pay anything. After that process is completed and the land is registered in favour of the project owner, the incoming investor will repay the debt lying in the books of the project company given by NCC that is about Rs.192 Crores or so. So, that money is likely to come to us before the end of the calendar year i.e., before December 31, 2021. Later on, the equity part also will be transferred in three tranches by the incoming investor in our favour and on a net basis after doing all these things we are likely to get about Rs.375 Crores by selling this property to the incoming investor. Out of the Rs.375 Crores about Rs.314 Crores will come in FY2022, and balance will come in the next year.

**Parvez Akhtar Qazi:** Sure Sir, and about the arbitration?

**YD Murthy:** About arbitration SembCorp the arguments are going on. It got delayed because of COVID-19 and there are well known Supreme Court judges on either side as a member of the arbitration panel they were able to convince the High Court and get extension of time and the arguments are likely to be completed by December 2021 and the arbitration award is expected by March – April 2022.

**Parvez Akhtar Qazi:** Great Sir, thank you.

- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking Limited. Please go ahead.
- Ashish Shah:** Sir, just one question from my side, out of the total order book of around Rs.38000 Crores – Rs.39000 Crores, how much would be classified as non-moving are there any orders which are stuck on non-moving which are part of the order book?
- Krishna Rao:** There are no such non-moving orders in the order book. All are executable and every order being in progress for execution.
- Ashish Shah:** Just to clarify your answer Sir, so basically out of the total order book you said there are no stuck or non-moving projects as such but can you quantify the proportion of orders which are yet to begin execution although they are not non-moving, but they are yet to begin execution, if we have any number on that front?
- Krishna Rao:** The yet to begin is only UP Jal Jeevan that is what that my colleague has explained in detail which is going to take place in next month Sir.
- Ashish Shah:** Sure, and nothing is beyond that, right and not major other orders?
- Krishna Rao:** Yes.
- Ashish Shah:** Sure.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Good evening Sir and thank you for this opportunity. Sir, firstly as very small comment from my side, the opening remarks from the management articulated the things in a much better way giving us a very good picture of what the current situation is and what the outlook going forward. You covered many aspects of the call in your briefing Sir. So, kudos to the team for covering it up very well and second point which I would like to just understand is that this interest part of Rs.2000 Crores going down to Rs.1600 Crores – Rs.1700 Crores what has led this to this built up of debt over a period of time what has attributed to this debt, if you could dwell something on it, how much is the legacy and how much is the asset that is going to built up from this money?
- YD Murthy:** I will give you the bifurcation. Bulk of the loan is as by way of Cash Credit & WCDL by the banking system consortium banks, the outstanding at the end of the quarter is Rs.1636 Crores, you will appreciate, we have a limit of Rs.2088 Crores from the banking system

available to us with enough drawing power etc., but we have not drawn that fully. We have utilised only Rs.1636 Crores. Other than this we have got a COVID loan of Rs.83 Crores originally, they gave up to Rs.152 Crores, now the repayment has also started and this is the loan given at a very concessional rate, at the MCLR rate without any markup as directed by Reserve Bank of India this loan was helpful to us last year in seeing that all payments are done on time without any difficulty. But we have not taken to moratorium granted by Reserve Bank in terms of payment of interest and in terms of payment of quarterly installment etc., under term loans. The third component of the loan is machinery loan of about Rs.215.9 Crores, the total is Rs.1935.8 Crores and there is a debt equity of about 0.3:1 and further reduction is possible as we go forward and by the end of the financial year i.e., March 2022 we are targeting the debt level to come down to about Rs.1550 Crores to Rs.1600 Crores.

- Saket Kapoor:** Great Sir, on this PAT margin part if you could just reiterate, what is the PAT margin guidance or trajectory that we are looking for versus the one for the last year?
- YD Murthy:** Last year, we reported a PAT margin of 3.5% i.e., FY2021 and in the current year also we are looking at the PAT margin of 3.4%. Yes, but the first quarter it is less, it is only about 2.7% but that is understandable the turnovers were also less, and input cost increases were also substantial.
- Moderator:** Thank you so much. This will be the last question which is from the line Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Just wanted one clarification on the irrigation project, whether all our irrigation projects are under execution because there was some guidance from Jal Shakti Ministry to stop the project because of the AP and the Telangana government dispute regarding sharing of the water resources?
- Krishna Rao:** There are no such pending projects. What we call here in Telangana Mission Bhagiratha, the projects have already been completed. There are no such projects pending to be executed the dispute between these two states are not going to be affected the operations of NCC.
- Parikshit Kandpal:** So, we have Rs.2400 Crores of irrigation projects in the order book, right?
- Krishna Rao:** They are all Amrut projects, and they are funded by the ADB, AIIB and the Central Governments absolutely there should not any problem.

- Parikshit Kandpal:** Okay, Sir lastly on the execution part, this quarter, are we on track to do about Rs.2500 Crores of turnover this quarter?
- YD. Murthy:** No. That is too early to say. We do not have the numbers; we have to wait and see and also the monsoon is there it will take a little while and also the third phase of pandemic also is likely to strike maybe in the month of August they are telling. So, anyway only one month is over and we do not have any numbers for that so far. Thank you.
- Parikshit Kandpal:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to Mr. Ashish Shah for closing comments.
- Ashish Shah:** On behalf of Centrum Broking, I would like to thank all the participants. Thank you to the management of NCC for giving us the opportunity to host this call and giving us the time. Thank you so much. Any closing comments from your side Sir?
- YD Murthy:** Thank you Ashish, I thank Centrum Broking for hosting this conference call and also, I thank all the participants on my behalf as well as my colleagues and thank you very much. If you, we were unable to answer any of your questions you can send us email or talk to us on phone either myself or my colleague, Mr. Durga Prasad who will be able to take up your questions.
- Krishna Rao:** Thank you all. Thank you so much. Thank you, Ashish Shah.
- Moderator:** Thank you. On behalf of Centrum Broking Limited that concludes the Conference Call. Thank you for joining us. You may now disconnect your lines.