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Exchange Plaza, C-1, Block G
Bandra – Kurla Complex
Bandra (E)
MUMBAI - 400 051.
Symbol: NCC

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Fort
M U M B A I – 400 001.
Code: 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 November 09, 2021 with analysts discussing about the performance & Financial Results of Q2 of the F.Y.2021-22. Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.

11-11-2021
M V Srinivasa Murthy
Company Secretary & EVP (Legal)

Encl : As above



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(Formerly Nagarjuna Construction Company Limited)

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“NCC Limited
Q2 FY2022 Earnings Conference Call”

November 09, 2021



ANALYST:

MR. MOHIT KUMAR - DAM CAPITAL

MANAGEMENT:

**SHRI Y.D. MURTHY - EXECUTIVE VICE PRESIDENT
(FINANCE) - NCC LIMITED**

**SHRI KRISHNA RAO – EXECUTIVE VICE PRESIDENT
(FINANCE & ACCOUNTS) - NCC LIMITED**

**SHRI P V VIJAY KUMAR - VICE PRESIDENT (FINANCE) -
NCC LIMITED**

**SHRI K. DURGA PRASAD - JOINT GENERAL MANAGER,
FINANCE - NCC LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the NCC Limited Q2 FY2022 earnings conference call hosted by DAM Capital Advisors 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 phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Mohit Kumar from DAM Capital. Thank you and over to you Sir!

Mohit Kumar: Thank you Janis. On behalf DAM Capital, I welcome everyone to Q2 FY2022 earnings conference call of NCC Limited. Today we have from the management, Mr. Y.D. Murthy, Executive Vice President (Finance), Mr. Krishna Rao, Executive Vice President (Finance & Accounts), Mr. P V Vijay Kumar, Vice President (Finance), Mr. K. Durga Prasad, Joint General Manager (Finance). Without much ado, I will hand over the call to the management for the opening remarks which will be followed by Q&A session. Over to you Sir!

Y.D. Murthy: Thank you Mohit. Good afternoon and welcome to all the participants. I am Y.D. Murthy Executive Vice President Finance at NCC. We will briefly make some opening remarks and after that we can go for a question and answer session.

Our board has met today in the afternoon and declared the second quarter results. You must have seen all the results. Before we take up the second quarter results and also the future prospects of the company, I would like to briefly make some general comments. After that we will discuss the second quarter results.

As you all know the Indian economy is expected to grow by about 9% to 9.5% in FY2022 having shrunk by about 7.5% in FY2021. We all know why FY2021 was a bad year, not only for our country, but for all the countries as well because of the pandemic everybody suffered but now all the countries are also bouncing back.

Indian economy is likely to redeem the loss of FY2021 in the current financial year by growing at 9.5% or so and as far as the construction industry is concerned, it has shrunk drastically in FY2021. The shrinkage in the construction industry was 12% or so that is when the economy shrunk by about 7.5% the construction industry has shrunk by about 12% in FY2021.

Now we are again looking at a bounce back as the COVID is behind us, things are falling in place, workers are available at the project sites, raw material is available at project sites, there is no disruption of supply chain and things are looking up and also we have reached pre-COVID level execution in all our project sites and the construction industry is definitely going to do well better than the Indian economy in the current financial year though a bulk of number is not available.

As far as NCC is concerned, in the first quarter FY2022, we have reported 57% growth in the topline compared to the first quarter of the previous year and in the second quarter the results are

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declared today. We have grown by about 41% as compared to second quarter of last year. So things are definitely looking good for us but in the board meeting and our earlier meetings also with our top management the board felt they will not be able to provide a guidance mainly because third wave of the pandemic is expected still some strain is there in certain pockets of the business so officially there is no guidance but based on the first quarter performance, second quarter performance and the order book that we are having with us which is 39112 Crores, we are confident that the performance of the company for the year as a whole will be in the region of 20% to 25% compared to FY21 which can be expected as a reasonable performance compared to, the economy growing at 9.5%

As far as the order book is concerned, things are looking good for us. There is a good traction in award of orders. In the first six months of the current year, we already bagged about 5600 Crores of order and in October have become L1 for some orders where the LOIs from the clients are expected in the month of November and we are looking at order accretion of about 14000 to 15000 Crores in FY2022 out of which about 5600 Crores have already been received in the first half of the current financial year.

As far as the working capital is concerned, we have seen a distinct improvement particularly the Central Government agencies like National Highway Authority, All India Institute of Medical Sciences, Defence Projects, they are all AAA rated companies and payment cycle has improved substantially. Last year, the Finance Ministry has given a direction to various government agencies to see that the payments are released faster and quicker to construction contractors so that the wheels of the economy keep moving and that also helped us immensely in terms of payments and also as you know the Reserve Bank has come out with a soft loan called the COVID loan about 10% of the fund based limits of the company, in the process, we got about a 150 Crores of loan from our consortium banks at a concessional rates that also helped us immensely in terms of maintaining our liquidity position without much difficulty.

There are some pockets of problems in terms of payments particularly in the state government agencies mainly because they are focusing more on welfare measures and healthcare measures and the payments to contractors are happening but some delay is there. Particularly as far as NCC is concerned we have seen delays in the state of Andhra Pradesh and Telangana. We are taking the matter with agencies there and hopefully payment cycle should improve by March 2022.

As far as the order book is concerned, we are sitting on an order book of 39112 Crores. Predominately three verticals, that is buildings, roads, and water projects put together constitute about 75% to 80% of the order book as well as turnover of the company. We have got strong execution capabilities in these three verticals and we have leadership position and the contribution from these verticals is definitely going to be strong in the third and fourth quarter of the current year also.

Likewise we are looking at other opportunities particularly in areas like mining where we bagged substantial orders in the recent past and were able to execute also without much difficulty that is likely to continue and as far as macro environment is concerned, the government of the day is

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very keen on implementing the NIP, that is, National Infrastructure Pipeline because they realized that there is a deficit of physical infrastructure across the country and they want to set right the position and since the award is happening in various segments and we are nicely positioned to capture those orders and we are confident that about 14000 Crores to 15000 Crores of fresh order accretion in the current year is possible though officially we have not given any guidance for order accretion for the FY2022.

Out of this already 5600 Crores is received in the first six months of the current year and we are L1 for about 2600 Crores worth of orders and balance orders are also likely to come. We are focusing on Jal Jeevan Mission projects where we had some success in UP, we got orders of about 6500 Crores though there was some delay in execution mainly because of the preparation of the project documents and approval by the government agencies but the speed is likely to pick up and also other states are also planning similar Jal Jeevan projects in their respective states. We will definitely participate there.

We are also looking at affordable housing projects. We have done a number of projects in the state of Andhra Pradesh earlier and other states also we have participating in affordable housing. This is also a good area of future growth for the company and likewise the Central Vista project in New Delhi, the Parliament house and other buildings we have started participating in the bidding process for various building projects there. We are also participating in metro rails, at present about 3500 Crores to 4000 Crores of our order book is coming from the metro rail projects. We are doing two projects in Pune right now and in Mumbai, we are doing one project, Nagpur we are doing two projects, Bengaluru we are doing a project now Likewise as and when opportunities are there we participate in bidding for fresh projects and try our luck there.

Recently, we started bidding for high speed rail projects that is the bullet train projects. We have tied up with the like minded construction companies though it was not successful in recent bidding but we continue to participate in the future bids.. All in all we are confident that order accretion should be pretty strong. We have strong execution capabilities and third and fourth quarter, we are expecting to be far better than the first and second quarter so basing on all these things, we are looking at a top line growth of 22% to 25% in FY2022.

That is what I thought I should bring to the notice of the participants and also the banking system has supported us well. We have got most of the limits for the FY2022 tied up and soon we are planning for execution of the documentation. Bank guarantee position also has improved nicely mainly because of the initiatives taken by the Finance Ministry by reducing the performance guarantee value in proportion to progress of project.

In the process, last 18 months, we were able to get back about 1000 Crores of bank guarantee limits available to us so the availability of the bank guarantee limits also improved nicely so that we can take bigger projects as we go forward. We have got good support from the banking system, through the year and our accounts are always standard and regular with all the banks in the consortium. They are quite happy with our account and their support to us which is a big

positive as far as NCC is concerned and I am very confident this kind of support will continue in the near future also.

Now I request my colleague, Mr. Krishna Rao, to talk about the second quarter results.

Krishna Rao:

Thank you Sir. Thank you and welcome to all the participants. I am Krishna Rao. The order book stands at the beginning of the financial year 37928 Crores. Orders received during six months' time 5611 Crores and value of the work executed during the six months 4428 Crores and the order book stands at the end of September 39212 Crores.

As far as the Standalone performance for Q2 is concerned, revenue including other income was 2223 Crores and the corresponding quarter of the previous year 1578 Crores, a growth of 41%. Gross profit for the current year Q2 397 Crores and corresponding quarter is 337 Crores, a growth of 18%. EBITDA 237 Crores that works out to 10.8% and PBT 130 Crores that works out to 5.8% PAT of 104.

There are specific issues during the quarter which I will brief. There is one exceptional item of 34.60 Crores. In one of the projects where additional built up area of 36109 square feet has been granted that works out to 34.60 Crores, which is an exceptional item and from this we have also taken out a knock off of 3.46 Crores, the provision for investment, net of this two is 31.1 which is only the exceptional item during the Q2.

The other figures salaries there is an increase of 23 Crores which is because of the increase of volume, and the increase of salaries for the staff effective from July and the number of employees headcount has gone up. The administrative cost increase in operations only 9 Crores and interest and finance charges despite the increase in the usage of the working capital there is a reduction in working capital cost which I will be able to brief you later. This is primarily because of the rate of interest reduction, number one and as my colleague mentioned more BCs have come back because of the government notifications.

These are the numbers and with regard to the consolidation for the Q2 of current year the consolidated numbers are revenue including other income 2601 Crores corresponding quarter 1744 Crores, growth of 39% and gross profit for Q2 is 455 Crores corresponding is 374 Crores growth of 60%. EBITDA for the Q2 is 226 Crores that works out to 10.3, PBT 150 Crores works out to 5.8%, PAT is 114 Crores which is attributable to share holders and this works out to 4.4%. These are the numbers and salary and administrative etc., are of routine.

I will take up the division wise order book; building division stands at 21157 Crores at the beginning of the financial year works out to 56% and closing is 22383 works out to 57%, roads 1954 Crores that is 5%, the closure is 1337 and 3%. Water and railways at the beginning of the financial year 7078 Crores that works out to 19% and at the end of the half year 8469 Crores that is 22%, electrical division 2438 Crores, 6%, closure is 2122 Crores, 5%, irrigation stands at same 6% beginning 2442 Crores and closure is 2314 Crores, mining 2592 Crores at the beginning

represents 7% and closing 2244 Crores 6%, orders is 251 and 229, the closing order works out to 39112 Crores.

Now that the receivables for the period ended September 30, 2020 outstanding is 2601 Crores which is a comparable to corresponding as well March 2021. Debtors collections period is 116 days and the capital expenditure, the budget for the year is 250 Crores. The Q1 capex is 41 Crores and Q2 45 Crores together 86 Crores in half year. The debt to fund movement is at the beginning of the quarter that is July 1, 2021 was 1936 Crores and working capital and machinery loan increase is 190 Crores, repayment of the term loan is 24 so the debt position at September 30, is 2102 Crores that is 166 Crores we have utilized as working capital more.

On consolidated basis the debt is 2316 Crores for Q2 181 Crores is the increase compared to the July 2021 and there is a reduction of interest at 0.43 as we have savings in the bank interest. As far as AP is concerned, we were able to get the 82 Crores performance and retention money BGs. There is no improvement with regard to the outstanding status, the status stands as it is and the cash flow for the quarter is cash flow generated from the operations 25 Crores, cash flow generated from investing activities 5 Crores, cash flow generated from financial activities 2 Crores as a result net increase in cash equivalence 32 Crores and on consolidated basis the cash flow stands at cash flow generated from the operations 42 Crores, cash flow generated from investing activities 0.5 Crores, cash flow generated from financing activities 9 Crores, net increase in cash equivalent is 52 Crores.

With regard to investments, loans and advances to the subsidiary there is no change except reduction in loans and advances from NCC Infrastructure, we have received 12 Crores and one of the foreign subsidiary Nagarjuna Constructions 7 Crores, we have received and there is no change with regard to the others.

The consolidated balance sheet numbers, investment in properties has gone up to the tune of 36 Crores that is what the additional area built up area secured. Inventories have gone up to 591 Crores by 64 these are only the changes. The other numbers more or less looks comparable to June and these are all from my end. I will now leave this to my colleague, Sir please take over.

Y.D. Murthy:

Thank you. Just one or two points I will in addition to what Krishna Rao has mentioned about the quarter. The finance cost is at 116.34 Crores for the second quarter of FY2022, it is slight reduction in the finance cost compared to the second quarter of the previous year where it was about 117.72 Crores.

As far as the bifurcation of the finance cost is concerned, the 116.34 Crores comprises of interest on term loans 6.4 Crores, interest on cashcredit, WCDL of 42.5 Crores, interest on mobilization advance 32.6 Crores, interest on others about 5.34 Crores. That is as far as the interest cost is concerned, total is 86.8 Crores. BG commission 23.2 Crores, LC commission 4.2 Crores, other finance charges 2.01 Crores. So the total finance cost for the second quarter 116.34 Crores.

Likewise the investments exposure to group companies that is loans and advances to group companies and investments in the group companies by way of equity put together remains more or less same at 1272.06 Crores as compared to 1284 Crores in the beginning of the quarter. As far as the mobilization advance is concerned it is around 1643 Crores and retention money is about 2108 Crores, cash and bank balance is 422 Crores out of which 400 Crores on account of fixed deposit given to banks. Inventory is about 591 Crores, trade receivable is about 2600 Crores and trade payable is about 3703 Crores.

That is all from our side. Now I request the participants to ask their questions and our request is please see that each participant will not ask more than two questions and the total number of participant questions that we will take up will be limited to about 20 because of the paucity of time. Please go ahead.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Hi Murthy Sir, congratulations on a decent set of numbers. My first question is that earlier in the call you said that the second half will be far better than the first half of this financial year so but if I see you have not given any guidance but you have indicated 20% to 25% growth which is about on a higher side 9000 Crores of turnover for this year and 5000 Crores in the second half, 5000 Crores turnover is about 10%, growth versus the second half of last year, so is this guidance very conservative because we were expecting a much far better numbers, not the guidance, the numbers which you have indicated 20% to 25% is it very conservative Sir because it looks like very low growth for the second half Y-O-Y?

Y.D. Murthy: See the Indian economy is growing at 9.5% and I am projecting, we will grow at 20% to 25% which is more than double that of the growth of the Indian economy. It is not conservative but I agree with you there could be a possible upside to what we have projecting. Beyond this I cannot tell you because board has not given any guidance.

Parikshit Kandpal: Second thing is Sir on update on the land monetization what is the status on the payments and if you can quantify over what time frame entire money will be realized?

Durga Prasad: We are focusing on monetization of NCC Vizag Urban. Management has identified potential investor and necessary term sheets have been signed. Process has commenced in the month of October to make arrangements for payment of revenue sharing to the AP Government and land will be registered in the name of the company. So total amount of inflow expected from this transaction 375 Crores and we are expecting about 314 Crores before the end of March and the balance will be paid by June 2022. It is going as per schedule and we are confident closing this deal.

Parikshit Kandpal: Lastly on the JJM projects in UP out of the 6500 Crores of orders which we had earlier so how much of that has been executed of the billed revenue so we can just update on that?

- Krishna Rao:** The question will you please repeat.
- Parikshit Kandpal:** Sir we have in UP JJM projects of about 6500 Crores right, order book, I just wanted to know how much of those works have been executed, so has the execution started and if we have done how much of the revenue has been booked total overall and how much in this quarter?
- Krishna Rao :** With regard to the DPR work part is completed, now the initiation has started the turnover not much is booked from these projects we are going to start from December onwards.
- Parikshit Kandpal:** How much you are expecting in this year in the fourth quarter how much you are expecting this order can be executed in this year out of the 6500 Crores?
- Krishna Rao:** Middle of third and fourth quarter we will have to some idea.
- Parikshit Kandpal:** Those are my questions. Thank you and all the best Sir. I will join in the queue for more questions.
- Moderator:** Thank you. The next question is from the line of Ankur Sharma from HDFC Standard Life Insurance. Please go ahead.
- Ankur Sharma:** Good afternoon. Two questions on the balance sheet. One you know your other current assets at almost 6400 odd Crores, what is this, when I look at it on a Y-O-Y and over March as well, is this unbilled revenue Sir sitting here and number go up and by when do we start seeing this number come down actually from this high number?
- Krishna Rao:** Unbilled revenue because the number of projects execution has increased as a result of the unbilled revenue is also increasing this is one part and some projects you are aware it depends upon the milestones the unbilled is going to be converted into the billing so these is continuous process and which we are also equally keen in pursuing with the clients for completion. So based on the completion of the milestones and the completion of the works we are going to raise the bills more the projects we take up this unbilled revenue is going to go up on a continuous basis. This cycle is happening on a continuous basis.
- Ankur Sharma:** We can only expect this number to go up right or absolute amount basis?
- Krishna Rao:** The more the turnover, the more unbilled revenue and unbilled to billing is continuous process.
- Ankur Sharma:** Secondly on the debt on the books at about 2100 odd Crores as the quarter end where do you kind of see this number stabilizing by the end of the fiscal?
- Y.D. Murthy:** The debt is likely to come down to about 1800 Crores by end of the current financial year. Definitely about 300 to 350 Crores reduction we are expecting and we are keen on maintaining debt equity of 0.3:1 by the end of the year.

- Ankur Sharma:** Thanks.
- Moderator:** Thank you. The next question is from the line of Shanti Patel from Shanti Patel Investment. Please go ahead.
- Shanti Patel:** Good afternoon Sir. My simple questions is as compared to the first six months next six months will be better and if it is so approximately in terms of percentage can you quantify?
- Y.D. Murthy:** I told you know we are looking at a topline of around 9000 Crores as far as the standalone balance sheet is concerned and now would have done a topline of about 4135 Crores for the first six months. The remaining six months that is in the second half you have stood about 5000 Crores which means about 2500 Crores during the third and fourth quarter each we are very confident there should not be a problem.
- Shanti Patel:** But PAT margin will remain, will be constant or it will be going up?
- Y.D. Murthy:** PAT level further increase will be difficult because we already reported a PAT margin of around 3.7% for FY2022. The EBITDA margin some improvement is expected, EBITDA we have reported in the first half is around 10.7% whereas we are confident for the year as a whole FY2022 the EBITDA margin can go up to about 11% or so which means in the second half the EBITDA margin will be in the region of 11.25%.
- Shanti Patel:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Good evening Sir. Sir my question again is on the execution which you can expect in the second half. Historically we had the capability to do 3000 Crores in seasonally good quarter and probably we have very strong order book so why do you think we can probably reasonably restrict it to 2500 Crores. Is it because the payment coming from the clients are not supporting that level of execution or there is something else which you think is stopping us from doing 3000 Crores every quarter?
- Y.D. Murthy:** No. They are talking about the third wave of the pandemic that also you have to keep in mind. We do not know how it will pan out. Already in Europe, in US and China some new cases new variants are found, when they will reach India to what extent, that will affect the people so we wanted to be somewhat conservative and we wanted to see that we deliver on what we have promised that is why the figure of 9000 is given for the year as a whole, but anyway as I told you once again it is not official number but based on the growth in first and second quarter and based on the general pickup in the economy we are confident that we deliver about 22% to 25% in top line growth for the year as a whole definitely that is achievable.

Ashish Shah: Secondly, in terms of can you highlight what is the gross exposure, in terms of receivables unbilled, and net level of exposure?

Y.D. Murthy: My colleague Mr. Durga Prasad will do that before that I will give a macro picture, the payments are not coming in the current financial year. AP government agencies have not paid money to us in some of cases we have requested to them and we have adjusted the inflow against mobilization advance paid to us thereby 200 Crores to 250 Crores has come down in the receivables. The balance receivables and also balance payment we are talking to the government agencies at the highest level possible. We have got government approval for borrowing with the bank government guarantee as security they are in the process of tying up on the debt and the debt is primarily meant for the outstanding dues of contractors like us and also for completing the project, balance works of the project is to be completed, APTIDCO got approval for borrowing up to 6000 Crores with government guarantee, likewise AMRDS, development agency, they have got approval payment will improve at the second half. Now actual numbers as on today I request my colleague, Mr. Durga Prasad to give it to you.

Durga Prasad: Ashish, good evening. So coming to AP project, capital city and other projects we normally internally classify as capital city because it is stuck and other government projects so the receivables from running projects is 281.95 Crores and stuck project capital city 103.20 Crores so total receivable is 383.15 Crores. Revenue is 246.72 Crores from AP and 120.38 Crores from capital city project.

Durga Prasad: I will share these details offline.

Ashish Shah: Sir the last question from my side. Sir apart from AP, are there any significant delays in some of the other states that you can mention in what kind of projects and what is the quantum of outstanding from some of the states which historically had been a problem like UP or Jharkhand or some of these states?

Y.D. Murthy: In Telangana also we are facing difficulty in terms of payments, some delays are there other than this two Telugu states in UP our electricity bill payments are delayed but now payments have started coming so that will even out without much difficulty. So right now the problem we are facing is from these two states and as far as Andhra Pradesh is concerned I have already mentioned they are in the process of tying up of debt and debt process will go to various contractors like L&T, Shapoorji, NCC and other contractors have to pay the outstanding bills and also for completion of the balance works in the state and that is the position now.

Ashish Shah: Thank you.

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

Vibhor Singhal: Good evening Sir. Thanks for taking my question. Sir these two questions from my side. One is on the margins front. The margins in this quarter were bit soft than expected so we know there is

monsoon impacted quarters but generally our margins are in the range 11.5% also. So what is the impact of the commodity prices or any other thing which you led to this kind of lower margins and in that respect what exactly is the nature of order book? How much of our order book has two contracts and how much are we able to get through this and with all that what is the kind of margins that we are expecting for the full year?

Krishna Rao: Full year EBITDA margin already Mr. Murthy has suggested that we are going to end up at around 11% to 11.25% and with regard to the price increase of the inputs you are aware this is going to affect the margin to the tune of 0.5% and out of the total order book around 72% of the order book we have the price escalation that is a coverage from the contract agreement hence we are achieving the protected there may be the effect around 0.4% or 0.5% from the margin however we are going to achieve around 11% EBITDA for FY2022.

Vibhor Singhal: Okay and Sir given that this commodity price hike, raw material price hike was basically nil in this year can we expect that margins next year keeping everything constant next year margin should revert back to the normalcy given that you mentioned that now that we are submitting we are taking those higher sizes into account?

Krishna Rao: Since the price volatility is not expected we do not know how the trend is going to be. It all depends upon the price momentum.

Vibhor Singhal: Sir my second question was on the projects. Sir I think at this point of time as Mr. Murthy had highlighted the Centre Vista project, bullet train project these are some of the large projects that are there in the markets right now but I think from the initial rounds of bidding in both bullet train and the Central Vista project that we have seen we failed to win any of the projects in both these projects, in many cases have been L2 and in some cases we have been a little below hat as well so what is your perspective on that? Is it that our bids are more conservative than the players and we have been conservative because we have a very good strong order book or do you think there is plenty of orders in these projects going forward that we should be able win them when they come?

Y.D. Murthy: See as you know we as a country we never bid aggressively for projects. We do not want order book to increase just for the sake of order book but we would need to keep the margins also in line and we do not want to sacrifice the margins and get the fresh orders. As far as the bullet train is concerned is the new area we have entered and we have got partner with Tata Projects so together we have assessed the costing and all that and accordingly we have bid. But going forward we will see things will definitely improve and likewise Central Vista project also it is a 20000 Crores project and as far as I understand about 4000 Crores to 5000 Crores has been bidded out and awarded we have not successful though we are participating but definitely we have got a strong presence in the building segment and all these buildings are coming up. We will definitely participate in the rest of the buildings. This is in the process now it is difficult to credit to what we get, other players are also there but we are confident we will get our share of the cost.

- Vibhor Singhal:** Thank you so much for taking the question and wish you all best.
- Moderator:** Thank you. The next question is from the line of Vijay Kumar from Spark Capital. Please go ahead.
- Vijay Kumar:** Good evening Sir. Can you give the percentage of the order book coming from Central Government and Central Government related entities?
- Y.D. Murthy:** Krishna Rao can you give that?
- Krishna Rao:** Yes, Central Government is around 30%, State Government is 40%, PSU is 20%, ADP IAB is balance 15%.
- Vijay Kumar:** The reason why I am asking is Central plus PSU which is 30% plus 20% around 50% of our order book in light of the recent document from Ministry of Finance through Department of Expenditure where they have given general instructions on procurement and project management so there they have given some new instructions specifically on how payments have to be done within 10 days of bills being submitted all these things. So how do you think these general instructions will have an impact on us positively?
- Y.D. Murthy:** Yes that will be very good for us. If they implement it definitely a step in the right direction and in fact in the COVID times the Finance Ministry has given directions to various central government agencies like National Highway Authority and other agencies and in last year between June and August 2020 National Highway Authority has released payment of nearly 30000 Crores to various contractors based on the directions given by the Finance Ministry and also there is realization on the government agencies and also the government departments when a contractor has done the work and the bill is certified, you should not withhold the payment unnecessarily because when you pay the contractor, he is in turn paying to the suppliers, to the subcontractors, to the labor which means the wheels of the economy keep moving which is very important for the economic cycle to improve so that realization on part of government agencies is also helping us to see that payment cycle grows.
- Vijay Kumar:** Sure Sir. Related question in the same document they have given procurement through the quality cum cost based selection criteria so do you think this will be implemented in some of the projects that we are bidding for in the future?
- Y.D. Murthy:** I do not know because I have not seen the document. I will check with our procurement department and try to understand that.
- Vijay Kumar:** I will touch base with you for this later on. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

- Jiten Rushi:** Good evening Sir. The first question from my side can you give us the revenue breakup segment wise for Q2, Q1 and last year same period and what is the outstanding unbilled revenue as on September?
- Y.D. Murthy:** Krishna Rao can you please?
- Krishna Rao:** The unbilled revenue the division wise details is not ready.
- Y.D. Murthy:** But revenue you can give, six months and three months.
- Krishna Rao:** Current month. The six months revenue 4135 Crores. Do you want to have the division wise?
- Y.D. Murthy:** That is what he is asking. I am giving the revenue for six months. Building division 1597 Crores that is 36%, roads 712 Crores, 16%, water and railways, railways is almost nil, but they are clubbed together, 881 Crores that is about 20%, electrical 510 Crores that is 12%, irrigation 128 Crores, 3%, mining 542 Crores, 12%, others 55 Crores, 1%, International just 3 Crores. The total billing that is the total consolidated construction business both domestic and international put together is 4428 Crores.
- Jiten Rushi:** Comparison for last year increase is it possible to give Sir?
- Y.D. Murthy:** We told you know we have reported a topline growth of 57% in the first quarter compared to first quarter of last year and 41% in the second quarter compared second quarter of last year.
- Jiten Rushi:** Q2 is possible or I can take it offline?
- Krishna Rao:** Q2 division wise we do not have but 41% growth is there in the topline.
- Jiten Rushi:** On the gross margin we have seen a gross margin of around 18% in the first half so how do we see our gross margin going up because we have seen operating leverage has been really good in terms of other expenses are bit high, but how about the gross margin any thoughts on the gross margins Sir?
- Y.D. Murthy:** Gross margin in the second half may go up by half a percent or so.
- Jiten Rushi:** Okay so it is 18.5%.
- Y.D. Murthy:** 18.5% that is right.
- Jiten Rushi:** Sir last question is on the Sembcorp Taqa issue and the bank guarantee so what is outstanding bank guarantee fund and non-fund and utilization and Sembcorp and Taqa issue status. Thank you.
- Y.D. Murthy:** See already the fund based debt position my colleague has given as far as bank guarantee is concerned I will give the number. The outstanding bank guarantee at the end of second quarter is

6707 Crores, the limits available is about 9499 Crores that is about 71% utilization as far as end of second quarter position is concerned

Jiten Rushi: Fund based also Sir has given the total number, he said the 2000 Crores is the debt number 2100 Crores is this fully utilized assuming?

Krishna Rao: Debt figure already given, okay I will give you.

Jiten Rushi: I have the number 2100 Crores, but I am asking the utilization level of the fund units, working capital limit utilization?

Krishna Rao: Working capital limit utilization is 1815 Crores at the end of second quarter, out of 2100 or so available to us, actual utilization that is end of second quarter 1815 Crores.

Jiten Rushi: Sembcorp Taqa issue status?

Y.D. Murthy: Sembcorp the obligation they got High Court approval to conclude by April 2022 so the award is likely to be received only at that time because of the voluminous documentation, because of delay on account of COVID-19 etc., etc., it got delayed. As far as Taqa is concerned, we are looking for an out of court settlement. We are discussing with them directly and parallelly because the clients of both Taqa and NCC were rejected by the High Court in Singapore so we are going for out of court settlement.

Jiten Rushi: So when it is likely to complete Sir?

Y.D. Murthy: By March 2022.

Jiten Rushi: That is it from my side. Thank you and all the best.

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

Deepak Poddar: Sir I just wanted to understand on FY2023 any sort of outlook that you have shared or you are willing to share for FY2023 in terms of topline or margins, would be quite helpful and my second query is on your absolute interest level which is currently at 115 Crores so how do you see that interest cost panning out over the next maybe two to four quarters?

Y.D. Murthy: As far as FY2023 is concerned normally what we would do is in the fourth quarter of FY2022 that is on the eve of annual closing, we prepare the business plan for FY2023 for the next year, present it to the board, discuss it, division wise and accordingly we will freeze the business plan for FY2023. So that exercise has not started. So I cannot give any numbers for FY2023 other than saying that based on the order book and the expected further order accretion FY2023 also there is a good possibility of topline growth of says around 15% to 20%. What is the second question Sir?

- Deepak Poddar:** Bank rate, interest rate.
- Y.D. Murthy:** The blended interest cost already my colleague has mentioned it has come down to about 8.7% which is a good number. The banks are quite happy with us. They are passing on the policy rate reduction of the Reserve Bank to companies like that that's why the blended cost of borrowing which was as high as 9.5% to 10%, one year back now has come down to about 8.7% and one more thing we are doing is based on the Reserve Bank guidance to various banks in the country regarding operation CC accounts because if the bank is not having those at 10% share in the consortium. The CC account will become a collection account so we are asking those banks to convert the CC also into WCL whereby there is some interest reduction that is happening so these measures have helped us quite nicely as far as the interest rates on bank loans are concerned. We are talking about the finance cost. Finance cost not only comprise of interest rates of the banks but also interest on the mobilization advance and bank guarantee commission and also LC commission. All put together in the second quarter is about 116 Crores which is around 5% of the turnover of the company. We are trying to maintain the finance cost between 4.5% and 5% and as turnover improves, we will be able to bring it down below 5% the total finance cost maybe it will happen in the next year. Thank you.
- Deepak Poddar:** So 4.5% to 5% of topline in finance cost is what we are looking at right?
- Y.D. Murthy:** Yes.
- Deepak Poddar:** With improved bank guarantees, the mobilization advances as well as your interest cost right?
- Y.D. Murthy:** Yes.
- Deepak Poddar:** Okay, 4.5% to 5%. That is it from me. Thank you.
- Moderator:** Thank you. We take the next question is from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.
- Parvez Akhtar Qazi:** Good evening Murthy Sir and congratulations for great set of numbers. Two questions from my side. First just wanted to confirm you said we are L1 2600 Crores of orders is that correct?
- Y.D. Murthy:** Yes, that is right.
- Parvez Akhtar Qazi:** With respect to future order intake clearly we have done verygood in the first six to seven months of this year. For the year you are saying 14000 to 15000 Crores so which are the segments where we are witnessing this good traction and are we largely State Government or are we focusing on Central Government agencies going ahead?
- Y.D. Murthy:** Off late we are focusing more on Central Government projects and definitely preference will be given for such kind of projects. In the next stage we are looking at Central Government assisted projects like Jal Jeevan Mission is there where 50% of the project cost is coming from the

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Central Government as a grant and the balance 50% has to be provided with state government such projects also we are looking at because there is comfort there, likewise affordable housing there also central government subsidy is available under Prime Minister Awas Yojana about one-third of the project dwelling unit cost is coming from the Central Government by way of subsidy so such projects also we are taking keen interest on that.

Parvez Akhtar Qazi: Lastly what is the capex that we have done in H1 and what is the target for the full year?

Y.D. Murthy: Full year target is 250 Crores. Krishna Rao can you tell him?

Krishna Rao: First half year 86 Crores had been done.

Parvez Akhtar Qazi: Thanks from my side. All the best.

Moderator: Ladies and gentlemen this was the last question. I would now like to hand the conference back to the management for their closing comments. Over to you all Sir!

Y.D. Murthy: We thank all the participants for their active participation. If any questions are not answered please contact us through e-mail. We will definitely reply to them within 24 hours. We also thank DAM Capital and Mr. Mohit Kumar for hosting this conference and I thank all of you once again. Thank you.

Krishna Rao: Thank you so much.

Moderator: Thank you. On behalf of DAM Capital Advisors we conclude today's conference. Thank you for joining. You may now disconnect your lines.