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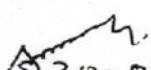
Sub: Update

Please find enclosed herewith Q3 of F.Y 2015-16 earning call transcript of the Company.

Kindly take the above information on record

Thanking you,

**Yours faithfully
For NCC LIMITED**


M V Srinivasa Murthy
Company Secretary & EVP(Legal)

NCC Limited

(Formerly Nagarjuna Construction Company Limited)

CIN: L72200AP1990PLC011146

NCC House, Madhapur, Hyderabad 500 081 T +91 40 2326 8888 F +91 40 2312 5555 ncclimited.com



**“NCC Limited
Q3 Financial Year 2016 Results Conference Call”**

February 11, 2016



ANALYST: MR. SHRAVAN SHAH – DOLAT CAPITAL

**MANAGEMENT: MR. Y. D. MURTHY
EXECUTIVE VICE PRESIDENT - FINANCE**

**MR. R. S. RAJU
EXECUTIVE VICE PRESIDENT
FINANCE AND ACCOUNTS**

**MR. S.V.N. BHANOJI RAO
VICE PRESIDENT - FINANCE**

Moderator: Ladies and gentlemen, good day and welcome to NCC Limited Q3 FY 2016 Results conference call, hosted by Dolat Capital. As a reminder all participant lines will be in the listen-only mode, 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 now hand the conference over to Mr. Shravan Shah. Thank you and over to you Sir!

Shravan Shah: Thank you. Good afternoon. On behalf of Dolat Capital we welcome you all to the NCC's Q3 FY'2016 earnings call. Today we have from management Mr. Y. D. Murthy, Executive Vice President, Mr. R. S. Raju Executive Vice President Finance and Accounts and Mr. S.V.N. Bhanoji Rao, VP Finance. I would request the management to make some initial remarks and we can have Q&A session. Over to you Sir!

Y. D. Murthy: Thank you Mr. Shah. Good afternoon all the participants. I am Y. D. Murthy Executive Vice President NCC along with me I have Mr. S.V.N. Bhanoji Rao, Vice President Finance. Mr. R.S. Raju is not able to join us because he is busy with some other things. We will take you forward with the company's third quarter results. Initially I will give a brief view of the company's performance and after that we will go for question and answer session. First the order book we received about Rs.4694 Crores of fresh orders in the first nine months of the current year and the order book at the end of the third quarter is about Rs.17597 Crores.

Nevertheless in the month of January we received additional orders of about Rs.1873 Crores so at the end of January the order book is about Rs.19470 Crores that is approximately the same level at which we started the year to FY2016.

Now for the current year, year as a whole we are targeting fresh order accretion of nearly Rs.8000 Crores and we bagged orders about Rs.6400 including January orders, so we believe we are on target as far as the order accretion is concerned and with the government coming out with new projects to give infrastructure thrust mainly in the road sector and also in water and environment sectors where we have got a very strong execution capabilities.

We are confident the current years order accretion target will definitely be reached and near year also we are looking at a possible strong order accretion for the year as a whole. Now the split of the order book among various verticals I will give you.

The total order book at the end of the third quarter that is December 31, 2015 is Rs.17597 Crores, out of which buildings and roads put together constitute Rs.8374 Crores of orders

that is 48% out of these the shares of roads in the order book is about Rs.1360 Crores that is around 5% or so.

The next major segment is water and environment where we have orders of Rs.4617 Crores that is about 26%. So the buildings and water put together constitute nearly 68% to 70% of the order book of the company and these are the verticals where we have very strong execution capabilities and so that augurs well for the company to reach a higher level of topline and bottomline as we go forward.

Other verticals electrical, the order book is Rs.981 Crores that is 6%, irrigation Rs.716 Crores that is 4%, metals Rs.37 Crores and power Rs.336 Crores. The power EPC is being executed and in fact we started the year with power order of Rs.1237 Crores. During the last nine months we have executed about Rs.902 Crores of power order and so the residual order is only Rs.336 Crores that is about 2% of the order book. Mining is Rs.91 Crores and international Rs.2445 Crores that is 14% of the order book.

As far as the execution is concerned including international, we have done a total execution of Rs.6421 Crores during the last nine months out of which buildings and roads put together contributed Rs.2489 Crores that is 39% out of this, roads have contributed about Rs.460 Crores, the rest is from the buildings division. Water and environment Rs.1644 Crores that is 26%, electrical Rs.502 Crores that is 8%, irrigation Rs.175 Crores that is about 3%, metals Rs.68 Crores 1% and power Rs.902 Crores 14%, mining Rs.32 Crores and international Rs.609 Crores that is 9%, total works executed including international is Rs.6421 Crores.

Now coming to the performance of the company, first I will tell you about these standalone performance then we will take up the consolidated performance. On the standalone basis for the third quarter we have done a topline of about Rs.2052.7 Crores, other income of Rs.41.4 Crores and total revenue is Rs.2095 Crores.

The operating EBITDA margin is Rs.185.40 Crores for the third quarter that is about 9.03%. PAT is Rs.56.64 Crores that is 2.76%. The nine-month standalone performance topline is Rs.5817 Crores, other operating income is Rs.55.7 Crores, total revenue from operations is Rs.5873 Crores, other income is Rs.145 Crores, total revenue that is turnover is Rs.6018 Crores and EBITDA is 8.99% that is Rs.528.26 Crores, net profit is Rs.152.8 Crores that is 2.6%.

The net profits have improved nicely in the current year as compared to last year, in fact last year for the year as a whole we have done a net profit of about Rs.111 Crores whereas in nine months in the current year, we have exceeded number by a good margin and we are on

our course to achieve a net profit of about Rs.180 Crores for the current financial year as a whole.

On a consolidated basis, the topline is Rs.2392 Crores and EBITDA is 11.51% and net profit is Rs.40.37 Crores that is 1.69%. This is mainly because the SPVs, which participate in consolidation or declaring losses and so, the net profit levels on consolidation have come down compared to standalone profits.

For the nine month period the topline on consolidated basis is Rs.6739 Crores and operating EBITDA is Rs.777.31 Crores and PAT is Rs.84.15 Crores and EBITDA margin is 11.43% and PAT margin is 1.24%. So the company is doing reasonably well and it has turned the corner and debt levels are also under control.

The debt levels of the company as at the end of December 31, 2015 cash credit and working capital demand loan Rs.1821 Crores, short-term loans Rs.10 Crores, long-term loans that is a corporate loan given to us by our consortium that is Rs.299.9 Crores and other machinery loans Rs.11.17 Crores, so the total debt on a standalone basis at the end of third quarter is Rs.2142 Crores. There is no change in the debt compared to the previous quarter when the debt level was Rs.2148 Crores.

On a consolidated level, the debt in the books of the consolidated balance sheet is about Rs.3600 Crores that is mainly because of the debt taken from subsidiary companies on a pro-rata basis into consolidation.

Now I will give you the details of the subsidiary companies, which have done the performance, all the subsidiary companies, put together generated a topline of Rs.320.7 Crores in the third quarter and it has resulted in a net loss of Rs.16.27 Crores. The main contributors of our international subsidiaries in Oman and Dubai put together reported a turnover of Rs.244.4 Crores and a profit of Rs.0.9 Crores.

Now the domestic subsidiaries were NCC urban Rs.38.9 Crores topline profit of Rs.0.9 Crores. The NCC Infra Holdings topline is Rs.11.9 Crores, loss of Rs.5.27 Crores, OB Infrastructure topline of Rs.23.26 Crores and loss of Rs.0.5 Crores.

Western UP Tollway was Rs.26.04 Crores topline, loss of Rs.7.7 Crores, Brindavan Infra no topline, no loss. There we have executed some of the project because the concession period is over then Bangalore elevated toll way topline is Rs.7.69 Crores, loss of Rs.3.7 Crores.

Pondicherry, Tindivanam topline is Rs.1.29 Crores and loss of Rs.2.12 Crores. So the consolidated numbers for all the subsidiaries put together is Rs.320.7 Crores topline and a loss of Rs.16.27 Crores.

The receivables management in the company has improved nicely, remains well within our expectation. We have a debt collection period of about 70 days, which is one of the best in the industry and the share of debtors about two years is also just about 14%. The interest cost have come down substantially in the current year and now the bank debt is coming towards at a blended cost of about 11.9% mainly because of the improvement in our balance sheet and also improvement in our external rating and we expect further improvement as we go forward in the next financial year. So these are basically the comments from the management. Now I request the participants to ask their questions and I also request participants to see that each participant will not ask more than two questions and the total number of questions for this session will be restricted to about 20 or so. Thank you.

- Moderator:** Thank you. We will now begin the question and answer session. Participants in order to ensure that the management is able to address questions from all the participants in the conference requested to limit your questions to two per participant. The first question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Good afternoon Sir. You told that out of the total order booking the higher purchases is on the building part, so building part means the housing segment you mean that?
- Y. D. Murthy:** Our building and housing that is the name of the vertical we call and it is called a wide umbrella projects, it comprises of industrial structures, it comprise of commercial structures, software technology parks then a lot of social infrastructure like schools, colleges, hospitals and also sports infrastructure like stadia and also as a contractor some of the building projects particularly the residential building projects.
- Saket Kapoor:** In the southern region only you are limited or to across the country?
- Y. D. Murthy:** Our buildings portfolio is across the country, the company itself is operating in about 25 states out of 29 states, so we are an All India Company and in fact buildings constitutes nearly 45% to 50% of our order book, so we are getting building orders across the country.
- Saket Kapoor:** And now coming to the thrust on the road sector every second day we are hearing that the government is putting more and more thrust on the roads and highways, but our order book saying is only 4% on the road sector. Sir any particular reason why are we not aggressive on the road sector as the thrust is there from the government side?

- Y. D. Murthy:** First of all we are very carefully bidding for the projects, we are maintaining very good bidding discipline because we do not want to compromise on our profit margins, when it comes to NHAI cash contracts still some aggressive bidding is going on, we are participating but we are not getting the orders, now like the Lucknow, UP Expressway project which is a big project of about Rs.1670 Crores, which we are executing and where the modest advance has given to us as there is a monitoring at the highest level and so execution is being done faster, in fact there is a possibility of a bonus, all these things are exciting us, so we are looking for projects of that nature to participate and also because the NHAI has come out with a hybrid model for the road projects there were some concerns in terms of hybrid model being funded by the banking system, there was some issues which they have taken up with NHAI, I understand they have been sorted up and now banks are ready to fund the hybrid projects also. Based on this we are very confidently looking at the hybrid model for participation as and when the orders are called by the NHAI.
- Saket Kapoor:** Going forward this situation can change dramatically.
- Y. D. Murthy:** Yes absolutely.
- Saket Kapoor:** Correct Sir, I will come in the queue Thank you.
- Moderator:** The next question is from the line of Parikshit Kanpal from HDFC Securities. Please go ahead.
- Parikshit Kanpal:** Hi Sir, congratulation on good set of numbers. Sir was there any asset monetization even in this quarter?
- Y. D. Murthy:** No there is no asset monetization, but one thing we have already indicated to the stock exchanges and to the media. We have signed the definitive agreements for exiting some Western UP tollway so the deal is almost done subjected to certain precondition stipulated by them, once those are fulfilled we should be able to transfer the shares to the incoming investor and get the money that is likely to happen before the end of this month.
- Parikshit Kanpal:** Sir are we bidding for this MDO opportunity in coal?
- Y. D. Murthy:** MDO we are looking it positively, we have a mining division, we have done some coal mining projects earlier, we have got some machinery also with us, now this MDO is looking like a big opportunity, we are carefully examining it and we will definitely participate.

- Parikshit Kanpal:** But have you bid for the Punjab project because I understand BGR even JV with BGR will be planning to bid?
- Y. D. Murthy:** The bids are yet to be opened. It will take a while. We have participated.
- Parikshit Kanpal:** But what kind of capex outline, but it will require huge outlay on capex, so are we going to meet that?
- Y. D. Murthy:** Yes, we have to form an SPV and BGR is reputed mining contractors operating even more than 20 mines across India, so their expertise's definitely going to help us together if we become successful we form an SPV and the SPV will execute the project.
- Parikshit Kanpal:** Just lastly one more question. How much is the total interest, which we have recognized from on loans and advances given to subsidiary during this nine month and how much cash has been received on that?
- Y. D. Murthy:** The figure is there, nine months is about Rs.140 Crores.
- Parikshit Kanpal:** So how much is the cash we have received against that Rs.145 Crores?
- Y. D. Murthy:** Only NCC Urban is paying interest to the parent company, which means around Rs.28 Crores to Rs.30 Crores has been received.
- Parikshit Kanpal:** For the nine months?
- Y. D. Murthy:** Yes.
- Parikshit Kanpal:** But how we will grow then Sir, I mean if we profit, entire profit, most of the profit is basically coming from interests and from subsidies and cash is not coming in, so how will we meet our working capital requirements and grow a company from the current levels?
- Y. D. Murthy:** Yes, we are focusing on, unwinding all these transaction and in fact when the Sembcorp deal happens nearly Rs.380 Crores of ICD lying with NCC Infra will be paid back to the parent company. Like wise NCC Urban also about Rs.100 Crores of debt they are promised to pay us this year out of which Rs.71 Crores they paid, the balance will also come before the end of the current financial year, likewise management is taking steps to see that all these loans and advances are unwound and received back by the parent company.
- Parikshit Kanpal:** But Sir, this NCD of Rs.380 Crores I think the advanced, which we have got from Sembcorp, I think balance pending is only Rs.200 Crores which has to be received.

- Y. D. Murthy:** Yes that is right.
- Parikshit Kanpal:** But how the Rs.380 will come because you are saying?
- Y. D. Murthy:** 600 Crores the part of it is debt, I am talking debt reduction at NCC Infra level and debt reduction in the loans and advances portfolio of NCC, so Rs.380 will come down, balance they level transfer to us. There is a different issue altogether.
- Parikshit Kanpal:** So this Rs.2100 Crores of debt will come down to say Rs.1600 Crores, Rs.1700 Crores by next year by FY2017?
- Y. D. Murthy:** Sembcorp deal will give us on a net basis about Rs.210 Crores of cash flows likewise Western UP will give us about Rs.100 Crores, likewise Bangalore Elevated Tollway will give us about another Rs.100 Crores, assuming that all these transactions happened and moneys received before March 31 we are likely to get about Rs.420 Crores to Rs.430 Crores of fresh money that will definitely be parked in our cash credit account and it will bring down the debt levels immediately, but for the time being because we are growing and we need additional money for our working capital, perhaps it may reach a level of Rs.2200 Crores once again may be six months down the line, so that is a situation where it is completely depend upon when you receive the money, but debt levels are very much under control. Our game plan is to see that we do not increase the debt levels abnormally to capture growth, so we are going for this route for monetization of the assets, there is some success and definitely initially that money will reduce the debt levels.
- Moderator:** Thank you. The next question is from the line of Amit Sinha from Macquarie. Please go ahead.
- Inder:** Thanks for the opportunity. This is Inder here from Macquarie. My first question is on the outlook for next year I understand that company is kind of maintaining its outlook in terms of Rs.8000 odd Crores of order inflows in similar amount of revenues, but with the flattish kind of an order book is there a possibility that next year also revenue is kind of look flattish or execution timelines of the project such that this chance of kind of taking out some growth next year?
- Y. D. Murthy:** Yes, see current year the topline is flattish mainly because of the power order executed last year. Last year power order contributed Rs.3100 Crores out of a topline of Rs.8300 Crores, now current year power order will contribute only Rs.1200 Crores, so the shortfall of nearly Rs.1900 Crores in the topline because of the power order coming down. Despite that the other divisions are contributing to the topline so we are having a small dip of only Rs.300 Crores in the topline, so last year Rs.8300 most probably we will do about Rs.8000 in the

current year, so that should not be a cause for concern. Now going forward we are looking at a 10% to 15% topline growth year-on-year and order accretion also will definitely improve. Here we bagged some orders nearly in the range of Rs.10000 Crores per year and this year also we will definitely bag Rs.8000 or may be Rs.8500 so order accretion is not a big issue for us and going forward there will be enough orders to take care of a topline growth of 10% to 15% year-after-year.

Inder: My second question is related to our interest cost sequentially we have seen a number kind of gradually come off now to close to Rs.120 Crores, given that our bank rate has come off can you kind of give a sense going into FY2017 what is the run rate we are looking at, where potentially it can come down because our standalone debt is kind of fairly under control that is one and small question that I had that we have already done closed to Rs.150 Crores of PAT in quarterly enforced nine months and typically Q4 is the larger part of the quarter and yet you said that you are looking to achieve a PAT number of Rs.180 Crores, is there something we are missing here that why should the PAT in the last quarter be only around Rs.30 Crores?

Y. D. Murthy: Yes, it is mainly because the Western UP Tollway of which we are talking we actually invested about Rs.115 Crores in the project as our share and based on the definitive agreement signed by us we are getting Rs.97 Crores to Rs.100 Crores. So there is going to be a loss in the investment of nearly Rs.15 to Rs.18 Crores that is why third quarter number is depressed somewhat, so Rs.180 is definitely achievable or may be we reach up to Rs.190.

Inder: But that is including the loss that we will book on.

Y. D. Murthy: Yes absolutely.

Inder: That is more like of one of?

Y. D. Murthy: Yes exactly.

Inder: Okay and if you could comment on the interest cost?

Y. D. Murthy: Interest costs have come down. Last year the total financial charges were about Rs.577 Crores and current year we are likely to end it at around Rs.480 Crores, Rs.470 Crores and next year definitely is coming below Rs.400 Crores, Rs.380 or between Rs.380 and Rs.400, so good improvement is coming and that is reflected in our bottomline and next year we are targeting an improvement in our external rating also and most likely we are going into the A bucket. Now we are at BBB, we are targeting to reach the A category in which case the pricing can improve further, but lenders themselves are having a lot of stress, so to what

extent they can extend these reduction in pricing we have to see, but we are confident at least some improvement will be there.

Inder: Sir one last thing was there any one-off in topline in this quarter?

Y. D. Murthy: No.

Moderator: Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead. Since there is no response we will move to the next question from Nirav Shah from Geecee Investments.

Nirav Shah: Thank you for the opportunity, Sir two questions. The first question is since there is no asset monetization during the quarter and we still cloaked to 9% margins, so are these completely construction margins?

Y. D. Murthy: Yes absolutely we have been telling commodity prices are coming down, if you see the first six months also the EBITDA margin 8.8 now we are reporting 9.01 in the third quarter, for the nine months is 8.9, so we are on target.

Nirav Shah: But last quarter your construction margin was somewhere around 8%, so there is a very sharp improvement in this quarter.

Y. D. Murthy: Yes that is correct. Last quarter actually there was one asset sale, some property sales were there, the margins but this time because of the improvement in the performance the same level is maintained.

Nirav Shah: You mentioned the loss of Western UP rates booked in, it will be booked in Q4?

Y. D. Murthy: Yes when the money is received.

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

Nitin Arora: Just two questions, one on the margin side, I know it has been answered, but if I adjust to your real estate income from the first and the second quarter, the average margin on the construction was 7.7 in the first half, it shown an improvement of almost 130 basis point somewhat in the Q3 was this only attributed to the commodity price or if you can throw some light on the margin improvement and how you see it in the next year as well?

- Y. D. Murthy:** Mostly for a commodity prices and some improvement in the operational efficiency and we are confident that is likely to continue in the next year and we are targeting EBITDA margins of above 9% from next year and that is already visible in the third quarter itself.
- Nitin Arora:** Can you give us the breakup of the order inflow across the segment as well as what kind of orders you have received in the January when you talked about it?
- Y. D. Murthy:** Order inflow up to December 2015 we received Rs.4694 Crores of order out of which Rs.2244 that is 48% is in buildings, Rs.2310 Crores that is 49% is in water and electrical is Rs.64 Crores, irrigation is 29, metals 27, powers no order, mining no order, international Rs.20 Crores.
- Nitin Arora:** The orders you received in January can you just?
- Y. D. Murthy:** January is about Rs.1800 Crores most of them are in buildings; Rs.1873 Crores I do not have the numbers, most of them are in buildings.
- Nitin Arora:** Just last thing can you give us breakup of NCC Oman and NCC Dubai separately as you said Rs.244 Crores if you can tell me how much was Dubai?
- Y. D. Murthy:** The third quarter international operations gave us Rs.244.4 Crores topline out of which all the topline has come from Oman and Dubai I do not have the bifurcation here, I will send it to you across because Dubai we have had a small school project of about Rs.300 Crores, so its contribution may be marginal, but right now I do not have the numbers.
- Nitin Arora:** Just last one, one clarification in the last quarterly call you said that I have received the retention as well as mobilization advances from Sembcorp and this is after that you are still to receive Rs.210 Crores?
- Y. D. Murthy:** No, you have to understand structure of the transaction that we have but they have to pay us money for the equity that we are going to sell to them right, because the project is suffering we have tried to borrow money from international banks, but pledge of sales of NCC power held by NCC Infra. In fact they were already also, but what happens is the lending consortium of NCC power, but we need their consent to pledge the shares, they did not permit that then Sembcorp stepped in and they said in the interest of the project since you need money to complete the EPC I will give you additional mobilization advance, they gave us about Rs.300 Crores additional mobilization advance, which is carrying interest, now when the transaction is consummated these additional mobilization advance we will have to pay to them, so on a net basis I will get about Rs.210 to Rs.220 Crores.

- Nitin Arora:** Thank you Sir. It is quite helpful. Thank you very much.
- 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 a lot for taking my questions and congrats for a great set of numbers. My question is a bit on the interest expense part, so you mentioned that last year our interest expense was around Rs.570 Crores and this year we are expecting around Rs.480 Crores of interest expense, now Sir in first nine month itself we have done around Rs.378 Crores to be precise of interest expense, so in the last quarter are you expecting around Rs.100 Crores of interest expense that would actually be around Rs.20 Crores lower from the December quarter, so is there additional further reduction in interest expense expected in the next quarter?
- Y. D. Murthy:** Some reduction is there, but I am giving you a ballpark number, what I am saying is Rs.570 of last year is becoming Rs.480 of this years, which means Rs.110 Crores of, in the third quarter I have done Rs.120 Crores, in the fourth quarter I made Rs.210 Crores that is what I am saying.
- Vibhor Singhal:** Second is same on the interest expense part you mentioned that next year you are expecting around Rs.400 Crores of interest expense, so does that include your expectation of debt reduction because of the Sembcorp money and Western UP money or is that purely on the basis of reduction in interest expense or a combination of both?
- Y. D. Murthy:** It is a combination of both, and also more importantly the interest reduction and also pricing of our bank guarantee, commission and LC commission should improve when we go to A category, we are in B category right now and if you go to A category hopefully the substantial improvement in the pricing of our bank guarantee commission and LC commission is expected because we nearly have Rs.8000 Crores of bank guarantee limits, so that whatever commission we pay them also is quite substantial, so if I am able to get, now I am getting 25% concession, tomorrow if it becomes 50% that could be good saving.
- Vibhor Singhal:** Is there any timeline that you believe that you can achieve this, getting into the A category and reduction in the interest in LG and BG charges as well?
- Y. D. Murthy:** We are targeting first quarter of FY2017, lot of things are there, the rating agencies ask for an audited balance sheet and then they have to go to the rating committees and all that, it is a process, but at least for nine months of next year my aim is to see that A category is available to the company and there should be reduction in the pricing.

- Vibhor Singhal:** Fair enough Sir, lastly my question is on the hybrid annuity model, you mentioned that you are actually also evaluating those options, now we have had three or four projects which have been bid into the HAM model and the diversion in the bids of the L1 and L2 has been very, very high, in fact some of the people have actually gone on to say that the winners of the projects have been very aggressive bids, so what is your experience in the hybrid annuity model, is it a very new model so people are taking time to understand this and how are we approaching this new concept in the road segment?
- Y. D. Murthy:** We have not bid for hybrid model so far because there are some questions in terms of the financing of hybrid model, what is happened is in the hybrid model NHAI they have to give 30 semiannual annuity that is 15 years and the annuities are back ended so much so, in the first five years of commercial operation the revenue generated is not sufficient to take care of debt repayment, so the lenders have an issue. The matter was discussed that the highest level by the Indian Banks' Association and they have flagged the issue to NHAI saying that, "boss these model cannot be bankable," so what NHAI has done is they have tweaked the annuity payments in the hybrid model, so that in the first five years also enough cash flows are available. So now the models look like they are bankable, so we are evaluating them and recently there is a talk that in the next financial year nearly Rs.60000 Crores worth of hybrid annuity projects are likely to be tendered out for bidding that will definitely participate in them.
- Moderator:** Thank you. The next question is from the line of Kapil Agarwal from Max Life Insurance. Please go ahead.
- Kapil Agarwal:** Good evening Sir. Congratulation for good set of numbers, Sir you spoke about the bonus loss in the UP project if you could guide us with the timelines and what kind of bonus could be expected from that project?
- Y. D. Murthy:** I think it is 30 months and if you do it in 24 months some bonus is there, the quantum I am not very sure, I will check it out and give it to you.
- Kapil Agarwal:** Secondly if you could talk on the water pipeline we hear that Telangana has strong prospects for water projects, so how do you see the pipeline there?
- Y. D. Murthy:** Good, we already bagged about Rs.2800 Crores of projects from the Government of Telangana some more are definitely expected. It is looking good for us and also the competitive intensity has come down because some players in this region are having difficulties in participating in bidding, so we will participate and I understand from our operating staff that these projects are coming with better margins.

- Kapil Agarwal:** So what is the remaining size of projects to be bid down on water?
- Y. D. Murthy:** They said they got about Rs.25000 Crores of projects to be tendered over a period of three years and already to my understanding about Rs.15000 Crores of orders have been given, we are carefully bidding because we do not want to compromise on margins, as I told you we got about Rs.2800 and in the next round some more orders are also expected.
- Kapil Agarwal:** Our order inflow has a large proportion of building, so could you guide us if it is private or public what could be the breakup?
- Y. D. Murthy:** Most of them are public because buildings as I was explaining earlier a lot of things are there and most of them being down by the government agencies like Stadia, like Medical Campuses by Employee State Insurance Corporation, Army Housing, things like that, most of them are in public sector may be about 10% is private.
- Kapil Agarwal:** And Sir lastly could there be an uptake in your order inflow guidance?
- Y. D. Murthy:** We are working out the business plan, next year we will see. It should improve. I am of the opinion that easily Rs.9 Crores to Rs.10000 Crores of fresh orders can be procured by the company next year.
- Kapil Agarwal:** This year also could it go above 8,000 since the pipeline is very strong?
- Y. D. Murthy:** Yes, but we have only one-and-a-half months left, may be one month and 20 days we are already at Rs.6600 Crores, I am confident we can reach that level easily.
- Kapil Agarwal:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Prabhat Anantraman from HDFC Securities. Please go ahead.
- Prabhat Anantraman:** Hi Sir, I have just two questions, first question is out of the current order book of Rs.19000 Crores how much of it is at slow moving or legacy orders?
- Y. D. Murthy:** We do not have any slow moving order because proactively we remove them from the order book if it is not moving at all, we give a six month period and if no billing is being done or for whatever reason the project is not taking up, the client has put a restriction on execution we remove it from the order book, so our entire order book is operational, executable order book and is a moving order book. Legacy orders is last year for example we got about Rs.8000 Crores of fresh order, this order we have got already Rs.6000 Crores, so about

Rs.14000 Crores of orders are received during last year and this year with better margins, the rest is the orders received in the previous years with comparatively less margins.

Prabhat Anantraman: Sir roughly what kind of EBITDA margins can these orders be executed at the current level?

Y. D. Murthy: In the new orders?

Prabhat Anantraman: The entire order book of 17000 Crores?

Y. D. Murthy: Yes, easily around 10% will be there.

Prabhat Anantraman: 10%, so can we assume Sir like EBITDA margins in FY2017-2018 would improve from the 9% in nine month that you done can improve by 150 BPS?

Y. D. Murthy: Let us go step by step, next year that is FY2017 we are targeting around 9% to 9.5% EBITDA.

Prabhat Anantraman: 9% to 9.5%.

Y. D. Murthy: Yes.

Prabhat Anantraman: Okay and Sir you had mentioned about the Lucknow Expressway I just want to know has the billing started on it?

Y. D. Murthy: Absolutely billing has started very much.

Prabhat Anantraman: Sir what is the revenue share from that?

Y. D. Murthy: Yes I gave the numbers. It is about Rs.470 Crores or so.

Prabhat Anantraman: Rs.470 Crores.

Y. D. Murthy: It is Rs.460 Crores.

Prabhat Anantraman: And Sir how is the payment cycle there?

Y. D. Murthy: They are good because there is moderately at the top, we submit the bill today we are getting the payment tomorrow.

Prabhat Anantraman: Thank you Sir.

- Moderator:** Thank you. The next question is from the line of Devang Patel from IL&FS. Please go ahead.
- Devang Patel:** Hi Sir on the NCC power project what is the latest debt by which we now expect to complete the project?
- Y. D. Murthy:** The good news is, complete the project okay, the phase 1 that is 660 megawatts is expected to be commissioned by March 2016 there could be a time say about a month or so and in the next three months phase 2 could also be commissioned.
- Devang Patel:** The balance money therefore that we have to receive would that come in only after the phase II is commissioned?
- Y. D. Murthy:** They are two interrelated issues one is I am EPC contractor I have to execute the EPC, the other one is I am interested in the project and I am owner of the project, I am selling my stake to an outside investor and already definitive agreements are signed and in fact only two days back we received the approvals from Mahanadi Coalfields for stake sale, which is a big milestone and may be in the next 15, 20 days the stake will be transferred to Sembcorp and money will be received.
- Devang Patel:** Vis-à-vis our original costing for the project are we running ahead or behind our costing so is there any provisions that we would have to make as the project completes or is there any write back expected.
- Y. D. Murthy:** No from the day of signing of the definitive agreements with Sembcorp we as investor are not a party to any project cost escalation so that we will look out on the other investors like Sembcorp and Gayatri. I understand the project cost has gone up to nearly Rs.9000 Crores mainly because of the depreciation of the Indian Rupee, but I am not a party to that. As far as the money being received as I told you by March 15 or so also we are likely to get that.
- Devang Patel:** NCC Urban if you can give some sort of broader number how much are we looking to monetize, how much land that we looking to sell and get money return to NCC Limited?
- Y. D. Murthy:** No actually their execution has improved in the recent past though third quarter they have not done very well and they are likely to get some surpluses by selling the Ranchi properties nearly about 170 apartments are there, they should give something like Rs.80 to Rs.90 Crores and likewise the Gachibowli property phase 2 is also generated good revenues, sale of assets they have not yet come out, but there is a ramp up in their cash that is being received and out of that they are like to pay, some properties in Kakinada we are looking at it perhaps the deal may happen.

- Devang Patel:** How much is the loans and advances to subsidiaries and associates?
- Y. D. Murthy:** It is about Rs.1365 Crores.
- Devang Patel:** Sir lastly on the working capital side we are doing very well, going forward are you seeing any pockets of stress where we have a large buildings and factories portfolio, are we seeing any pockets of stress where working capital could go up next year?
- Y. D. Murthy:** No as of now there is no such problem, our receivables is very much under control, we are able to generate debt collection periods of 70 days and all which is a very good number compared to the industry, we wish it continues and our efforts to get the monies will continue to be there all the time.
- Devang Patel:** Right Sir. That is all from my side. Thank you very much.
- Moderato:** Thank you. The next question is from the line of Nipun Gupta from Kotak Securities. Please go ahead.
- Nipun Gupta:** Thank you taking my question. I had a question about the Krishnapatnam project, what is the revenue that has been booked in the current quarter?
- Y. D. Murthy:** First nine months we have booked about Rs.900 Crores from the Krishnapatnam EPC contract, they are Rs.902 Crores, the residual order releasing is only Rs.336 Crores, I think current quarter booked about Rs.250 Crores or so, but right now we do not have the number.
- Nipun Gupta:** Rs.250 Crores and Sir could you just give me the breakup of the revenue for the nine months I just missed out the numbers?
- Y. D. Murthy:** I cannot repeat, we are hosting it on our website have a look at it.
- Nipun Gupta:** Okay fine Sir. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Divyata Dalal from Systematix Shares. Please go ahead.
- Divyata Dalal:** Good evening Sir. Congratulation for a very good set of numbers. Sir my question pertains to your Batinah Express Highway Road Project, can you put more color in terms how is the execution been there in this project for this quarter?

- Y. D. Murthy:** Our execution will pick up, most of the turnovers that we are reporting are coming from that only because the other projects are near in completion and of course two, three projects have already been completed, execution will pick up, a lot of work is being done, but primarily the earthwork we are doing, so volume wise huge but then in financial terms it is not much, I understand about Rs.240 Crores of turnover, Rs.300 Crores of turnover they booked so far.
- Divyata Dalal:** Okay and what would be the timeline for completion of this project, are we on schedule or?
- Y. D. Murthy:** Yes we are on schedule, recently received project on 30 month timeline is there, I think about six months are over, I think we will be able to complete it as positively.
- Divyata Dalal:** Sir on the international front since there are a lot of talks of pending cuts in the Infra side, are we seeing some pain there in terms of booking new orders or in the existing order book that we can see some change in scope of our work?
- Y. D. Murthy:** Yes it is a good question, in fact we are also examining very carefully the situation in the Gulf region, on many of our clients like Muscat Municipality or Abu Dhabi Municipality they are all government agencies and also these countries have very substantial results for example Abu Dhabi's Sovereign Wealth Fund is almost \$600 billion one of the biggest in the world, so these countries seem to have enough money to take care of the orders that have been given, so we do not see any payment difficulty there, so that is a good point and going forward whether they can launch new projects or not because the crude revenues are coming down that we have to examine carefully.
- Divyata Dalal:** Have we placed any bids there either in road or pipeline?
- Y. D. Murthy:** No we are going slow on that. Our focus is on completing the projects and that will continue. Now the major project that we have is the only Batinah Expressway and the Batinah coastal is more than 96% complete.
- Divyata Dalal:** Sir on the Indian side a lot of talks have been there about the Andhra Pradesh capital, the Amaravati being set up and allocation by the government there for setting of the legislature buildings, any orders that you have seen coming or anything on finalization stage there?
- Y. D. Murthy:** Yes we are looking at them. Two things we are doing one is the water works in Telangana where we already got Rs.2800 Crores of orders and also the capital city formation and so the resultant building contracts. We will definitely look at those projects positively because we are one of the top builders at par with L&T and Shapoorji. Recently the temporary administrative office of the government of Andhra Pradesh, I think they short listed L&T

and Shapoorji Pallonji, so one of them is likely to get it, but the remaining projects as and when the packages are called for tendering we will definitely participate.

Divyata Dalal: Sir any timeline that you can put on for these projects?

Y. D. Murthy: Six months.

Divyata Dalal: Six months. Okay. Thanks that is it from my side. Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Ankita Bora from B&K Securities. Please go ahead.

Ankita Bora: My question was on your Pondicherry, Tindivanam project that project has still failed to see any improvement in traffic since past few quarters, what is your outlook on project going forward, is there any possibility of improvement in numbers and what kind of short fall have you see in that project and how much is the parent entity supporting that project?

Y. D. Murthy: We have gone to the lenders asking for the debt restructuring which they have done and after the debt restructuring is done, there is no need for the parent company to put any money to support the project that is a good news for you and the other parties, that is a like a bad shape. It is not doing well, but perhaps it may a lot of time to pick up, but anyway it is a small project only about Rs.300 Crores and our investment is also hardly Rs.25, Rs.30 Crores in that project, so with the debt restructuring the promoter companies need not put money in the SPV that is a plus point.

Ankita Bora: Okay and Sir how much would be a working capital days right now, last year I think it was 105 days?

Y. D. Murthy: It is around 110, 115 days not more than that, last year the debt collection period was 60 days, now this quarter it has gone to 70 days, so I think the working capital days should be increasingly accordingly.

Ankita Bora: Anything on the debtor front if we should read into this more, I mean the reason for increase in debtor days, any particular segment?

Y. D. Murthy: It is normal. Debt collection period below 90 days is a very good debt collection period in our industry, if you are at 85 or 75 you should not break your head on that, rather than concentrating on completing the business.

Ankita Bora: Okay thank you so much Sir, thanks a lot.

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

Vibhor Singhal: Thanks a lot Sir. Just wanted your perspective a bit on the order book right now, so as we say I mean if you see the order accrual that we had for this year, I think around 90%, 95% of the orders have been in the building, housing and the water category, I know water has been our forte for a long period of time, but are we seeing a large amount, what is the kind of order inflow that we are expecting especially on the road segment and are there any pocket let us say UP or any other states where you see the activity to be kind of more than the other parts of the country?

Y. D. Murthy: UP is doing well that is what we also understand, we are looking at some projects in UP in the road segment, may be it will take some time or may be early next year we may get some project, but what is more important is the hybrid model of road development by NHAI we are looking it positively and definitely we will participate in those projects.

Vibhor Singhal: Sir but that would again require equity investment from our side because 40% will be NHAI funded, but the remaining 60% I think half of that will have to come from the developer itself, so essentially?

Y. D. Murthy: No, now there is a clarity, out of the 60% lenders will support up to 70% that is funding the project with debt equity of 70:30, which means 42% will come from lenders and as a developer I have to put only 18%, so this projects are looking attractive and definitely we will look positively now that we are exiting from Western UP and Bangalore Elevated Tollway and we are getting nearly Rs.200 Crores and also the power project sale is also happening those monies will be available for investment in those hybrid projects.

Vibhor Singhal: So the Bangalore Elevated Tollway deal is also expected in the next couple of months?

Y. D. Murthy: Yes.

Vibhor Singhal: Fair enough. Thanks a lot for taking my question and all the best. **Moderator:** The

followup question is from the line of Parikshit Kanpal. Please go ahead. **Parikshit Kanpal:** What kind of advances we are getting on Telangana project Sir, the pipeline projects?

Y. D. Murthy: Yes Telangana Government there are no mobilization advances that is the pain point, we have to do it through our own accruals, but the margins are quite good, we are getting better margins, so we are looking at the lending consortium because the mobilization advance is

not there from the client side whether they can fund us at least up to the mobilization advance, the discussions are going on but one good thing is retention money is there but the retention monies they are releasing with bank guarantee or security.

Parikshit Kanpal: One last question if I can, what is the net worth and the cash, standalone net worth and cash on books as of now?

Y. D. Murthy: Net worth is Rs.3300 Crores at the end of third quarter and cash on books is about Rs.80 odd Crores.

Parikshit Kanpal: Okay thank you.

Moderator: Thank you. Since this was the last question I will now hand over to Mr. Shravan Shah for closing comments.

Shravan Shah: Sir if you can just give me what was the capex in the nine months and how much are we looking for the FY2017?

Y. D. Murthy: The capex was hardly about Rs.20 Crores in the current year so far because not much of machinery purchase are happening, next year also may be around Rs.50 Crores will be there, that anyway we have to work over the business plan then only clarity will come.

Shravan Shah: I thank you management for giving the opportunity to host the call and I hope to speak to you next quarter. I thank you everybody for participating in the call.

Y. D. Murthy: Thanks all the participants. Thank you Shravan Shah. We will touch base with you later. Thank you very much.

Moderator: Thank you. On behalf of Dolat Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.