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Date : 17-08-2016

**The Secretary**  
**National Stock Exchange of India Ltd**  
5<sup>th</sup> Floor, Exchange Plaza  
Bandra – Kurla Complex  
Bandra (E)  
**MUMBAI - 500 051.**

**The Secretary**  
**BSE Limited,**  
Rotunda Building, P J Towers  
Dalal Street, Fort  
**M U M B A I – 400 001.**

Dear Sir(s),

**Scrip Code : NSE: NCC & BSE : 500294**

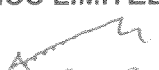
**Sub: Transcript of the conference call.**

Please find enclosed herewith the transcript of the conference call that took place on 12<sup>th</sup> August, 2016 for discussing about the Q1 and FY 2016-17 results of the Company. Kindly take the above information on record.

Thanking you,

Yours faithfully

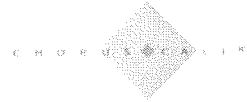
**For NCC LIMITED.**

  
17-08-2016  
**M V Srinivasa Murthy**  
**Company Secretary & EVP (Legal)**  
Encl : As above



**“Nagarjuna Construction Company Limited  
Q1 FY2017 Results Conference Call”**

**August 12, 2016**



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

**MANAGEMENT: MR. Y. D. MURTHY - NCC LIMITED  
MR. R.S RAJU - NCC LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to the NCC Limited Q1 FY2017 Results Conference Call hosted by Systematix Shares and Stock 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 this conference please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Jaspreet Singh Arora from Systematix Shares & Stocks Limited. Thank you and over to you Sir!

**Jaspreet Singh Arora:** Good evening to everyone and welcome to the Q1 earnings call for Nagarjuna. We have from the management Mr. Murthy and his team. Over to you Sir!

**Y.D. Murthy:** Good afternoon, Jaspreet and thanks for the introduction. I am Y.D. Murthy from NCC and also my colleague, Mr. R.S Raju is here. We will briefly tell you about the first quarter results followed by a question and answer session.

In the first quarter we had done a topline of 1929.7 Crores as compared to 1775 Crores in the previous year. The first quarter topline growth is about 8.7%. EBITDA is about 165.7 Crores and net profit is 52.3 Crores as compared to EBITDA of 158.3 Crores and net profit of 41.4 Crores in the first quarter of previous year

The net profit is improved by about 26%. We have reported an EPS of 0.94 paisa in the first quarter as compared to 0.75 paisa in the first quarter of the previous year. We have bagged 3620 Crores of fresh orders and order book is at 1945 Crores.

Now I will give you the composition of the order book. In the first quarter we have received 3620 Crores of fresh orders and in that the share of buildings and roads is about 1110 Crores, water & environment and railways is about 585 Crores, electricity is 548 Crores, irrigation is 1378 Crores, total is 3620. In the first quarter the execution is about 2230 Crores including the international projects and we decrease it by buildings and roads 1042 Crores, water, environmental and railways 543 Crores, electrical 138 Crores, irrigation 74 Crores, metals 14 Crores, power 77 Crores, and international 342 Crores. Total execution including international is 2330 Crores.

The order book at the end of the quarter as on June 30, 2016 is 1945 Crores that is improvement of nearly 1400 Crores compared to the beginning of the year that is a good improvement and the order book balance at the end of the first quarter is buildings 8443 Crores, water and railways 4931 Crores, electrical 1324 Crores, irrigation 2188 Crores, metals 40 Crores, power 184 Crores, mining 23 Crores, international 1912 Crores.

The debt level of the company at the end of the first quarter is 1881.7 Crores, not much change, a reduction of about 2 Crores compared to March 31, 2016. The composition of the debt is cash credit and working capital 1720 Crores, long-term loans from the banking system 148 Crores, machinery loans about 13.6 Crores.

Because of the Ind-AS and also the guidelines given by SEBI in the first quarter we have done only the standalone financials, so our comments will be restricted to standalone and we have not done any consolidation for the first quarter.

These are the basic comments from the management. Now we request the participants to ask their questions and also request each participant not to ask more than two questions and we would like to close the conference with a maximum of about 20 questions.

**Moderator:**

Thank you very much. We will now begin the question and answer session. We have the first question from the line of Indrajeet Singh of Macquarie. Please go ahead.

**Indrajeet Singh:**

Mr. Murthy and Mr. Raju thanks for the opportunity. My first question is on the interest cost. I think much of the decline in the cost has kind of played out in this quarter, can you kind of just talk us through what exactly is the new cost of borrowing that we are kind of paying, which all facilities have seen that and have you also seen a cut in the fees charges that we were paying to the banks especially for bank guarantees and those kinds of things?

**Y.D. Murthy:**

Yes, in fact, there has been a substantial improvement on the finance cost in the first quarter, but it is in line with our expectations. You should go back a little; in fact you will see in FY 2015 the share of finance cost as compared to the turnover is about 7%. In FY2016 last year it was about 6%. In the current year first quarter it is about 5% and we are confident we will be able to maintain that. A variety of reasons are there. Actually the corporate loan, we have retailed to the banking system of about 152 Crores. The current outstanding is only 148 Crores. That is a high cost debt carrying interest of about 13.5% and the reduction in the debt has helped us to improve on the interest cost for that quarter and likewise the utilization of limits also was somewhat restricted so that the debt levels were much below 2000 Crores that also helped us in terms of registering the interest burden. A breakup of the finance cost, I will give you, interest on debentures is nil in this quarter, interest on term loans it is only 5.9 Crores as compared to 11.7 Crores in the first quarter of the previous year. The major component is interest on cash paid in working capital for the current quarter it is 58.5 Crores as compared to 64.6 Crores in the first quarter of the previous year. Likewise, the interest on mobilization advances also has come down. It is 6.6 Crores in this quarter as compared to 14.8 Crores in the previous year. On the interest on others is basically interest on creditors given by us the LC bills, the interest that we bear,

last year it was 13.3 Crores and this year it is only 4.3 Crores. BE commission and LC commission are more or less in line with what was last year mainly because this utilization also has increased because we are getting more orders. The finance cost is reasonable, but actually what happens is the sanctions and disbursements and also charging of the upfront fee and processing charges is likely to kick in the second and third quarters of the current year. That is why it is looking a little less but nevertheless the finance costs have shown good improvement compared to the previous quarter of the last year.

**Indrajeet Singh:**

Thank you. My second question is can you just talk through anymore kind of debt reduction, which can happen and also in the context that what kind of revenue growth that we are looking at and would that lead to our working capital again kind of increasing at this point of time?

**Y.D. Murthy:**

Mr. Raju will answer.

**R.S Raju:**

Here what happens is basing on the moderation of the assets are taking place by the company, and already some debt reduction has happened and some more debt reduction possibilities are also there, but in the same time, the recent orders for whatever orders we are booking and also whatever orders are coming in some of the orders are not having the mobilization advance percentage, so what orders we secured in the first quarter and also in the previous quarter last quarter, the value of the orders were mobilization advance has been nearly 4000 to 5000 Crores are there. So such orders require some additional working capital for including those works, so thereby the more working capital requirement is there and already we pumped some amount towards working on some of the projects. So otherwise there is every possibility to reduce whatever is the debt and at this moment how far we are able to reduce further is to be seen. So once those projects are taken off and those projects start giving return something and at that time there is a possibility of again reducing further debt of 200 Crores, but the target of the company to reduce about 200 Crores debt in the current year to bring down to 100 Crores.

**Y.D. Murthy:**

Absolutely, the corporate loan I was talking about the current outstanding is about 148 Crores, we are definitely planning to pay it before March 31, 2017. So to that extent that debt level will come down and because it is a high cost debt it is good for us, but at the same time because there is going to be a working capital gap because we nearly 400 to 5000 Crores of orders we received without mobilization advance we are actually talking to the banks for funding these projects that in view of the mobilization advance. So we debt levels may look a little very high up, but nevertheless we do not want to see a situation where liquidity becomes difficult proposition. So there is a game plan, so we will see how it will pan out.

**Indrajeet Singh:** Just one followup. The orders that you mentioned which are coming without mobilization advance, should it be safe to assume that they would then carry margins which could be closer to 10% to 11%?

**Y.D. Murthy:** Yes, they are coming up with better margins when mobilization advance is not there, but to see that our liquidity position continues to be comfortable we are likely to talk to the banking system and if they are comfortable in view of the mobilization advance, we take the loans from the banks. From the clients also when you take mobilization advance, you are paying some interest. Banks also would pay some interest. There is a game plan with that so that we do not want to compromise on the liquidity.

**Indrajeet Singh:** Thanks a lot.

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

**Vibhor Singhal:** Good evening Sir. Thanks for taking my question. Congratulations on a very good set of numbers. Sir, just a couple of questions; one is I wanted to understand on the margins front so in this quarter if you look at the margins at 8.7% but there is 11 Crores of other operating income so excluding that the margins are around 8.2%. So just wanted to get into what exactly was the nature of this 11 Crores of other operating income and also with 8.2% margins in the first quarter will we be able to do 9% to 9.5% margins that we have guided for the full year?

**Y.D. Murthy:** Yes. In the first quarter compared to the corresponding quarter of the previous year the EBITDA margins there is a slight decline is there and going forward we expect that the EBITDA margins the company is able to maintain 9.2% or plus. So because of the mix of the projects what happened in the first quarter and some of the projects where repeated contracts, which are in the last phase, and reporting some way of variations and other things thereby the decline happened at the EBITDA level. Going forward we are hoping that the EBITDA would be 8.28% and likely to reach 9.2%.

**Vibhor Singhal:** So we maintain that we will be able to 9.2% margins for the full year?

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

**R.S Raju:** Last year 8.8% and this year we are confident 9.2% to 9.3% we will be able to maintain despite the aberration in the first quarter.

- Vibhor Singhal:** My next question is what is the nature of the 11 Crores of other operating income in this quarter? Is there some real estate sales that we have taken in this quarter?
- Y.D. Murthy:** Some real estate sales are there and some other hiring of equipment and those things are there. It is a mix of two to three items.
- Vibhor Singhal:** Is it likely to continue in the next few quarter or it is just a kind of a one-off?
- Y.D. Murthy:** It would not be not that much level, slightly 4 to 5 Crores, 6 Crores claim would be there.
- Vibhor Singhal:** Secondly Sir on the BOT projects we were expecting some 200 Crores of cash on the sale of those BOT projects. So have we received that money and if yes then how have we utilized that cash?
- Y.D. Murthy:** Western UP the money has been received, but the money from the sale of Bangalore Railway Tollway is yet to come. It is likely to come in before September and the Western UP money is used for our working capital.
- Vibhor Singhal:** And the Bangalore elevated money would also be used for working capital?
- Y.D. Murthy:** Obviously.
- Vibhor Singhal:** We would be looking to reduce debt on that?
- Y.D. Murthy:** They are not yet come. We book it in our cash credits accounts and then start using it.
- Vibhor Singhal:** One last question if I can just squeeze in, do you expect any revision in the BG and LC charges, as you had mentioned in the last quarter that now that we have a much better balance sheet and much lower leverage, we would go back to banks for reduction in those charges, is there any reduction in those charges expected over the year or whatever we had we have already received it.
- Y.D. Murthy:** Yes absolutely. Actually we are having that dialogue with the rating agencies. They have taken up our proposal based on our audited balance sheet of FY2016. In fact they have come and met our top management also. Discussions have taken place. Most likely they are taking to the waiting committee in the next two weeks and most probably by the end of this month, the revised rating is expected. Based on our improvement in fundamentals and our operations we are confident that we may get A category rating. Now we are a BBB. That means two notches, BBB+ and A- and if we go to A- that benefit is still there. There could be good improvement in the pricing of our financial products particular LC, BG

commission and all, we are expecting a reduction. Now we are enjoying 25% concession of the court rates and once the rating improves, it may go down to 50% reduction. So that will help us improve the financing cost, likewise, the working capital limits in the banking system will definitely also be looked at with better pricing. Again there could be an improvement of nearly 0.5% in the interest rates that we are paying to the banks as of now.

**Vibhor Singhal:** So the category you mentioned we will be easily able to move to A category from the current category what would be the current category?

**Y.D. Murthy:** BBB.

**Vibhor Singhal:** So we expect we might be able to jump two notches there?

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

**Vibhor Singhal:** Thanks a lot for taking my questions.

**Moderator:** Thank you. We have the next question from the line of Nitin Arora of Aviva Life Insurance. Please go ahead.

**Nitin Arora:** Just two questions; number one, with respect to your debt assumptions how do you see it with a 10% guidance of topline we should end that debt number at the end of this financial year, and you have been already told out in the call that you know there would be slight increase in the interest cost that I think you are assuming on the basis of the revenue growth. So what kind of an interest cost you are assuming in for the whole year. That is the first question. The second question is that with respect to your margins, can you tell us what was the actual quantum on the equipment sale and the real estate sale that was contributing to revenues and that is the ultimate contribution on the EBITDA? Thank you.

**Y.D. Murthy:** About the topline we are targeting about 6% to 10% growth and debt in our business plan itself, we plan to reduce the debt by 200 Crores from the opening balance. So there is a possibility to reduce the debt since our group company selling this BTL road projects and also whatever money we received at this moment, we pumped as working capital and with this quantum of working capital we may able to manage in this second, third quarters without any further working capital. So there is a possibility to reduce the debt from 150 Crores to 200 Crores by March 2017. More so 740 Crores also is a lump payment, which is also to repay before March 2017. So thereby every possibility there is from 150 to 200 Crores on debt reduction in the parent company. As far as other operating income is concerned, and here there is a small amount is there on land parcel sale and some amount is



from the real estate division where we have the real estate in Bangalore with the sale of flats and also some parts represents on the higher income from machinery.

**Nitin Arora:** How much it contributed to your profit? Should we take it on account around 8 to 9 Crores?

**Y.D. Murthy:** About 4 to 5 Crores contributed to the EBITDA level.

**Nitin Arora:** Thank you very much Sir.

**Moderator:** Thank you. The next question is from the line of Subramaniam Yadav of Subhkam Ventures. Please go ahead.

**Subramaniam Yadav:** Sir, just wanted to understand the order of 4000 to 5000 you mentioned in the mobilization advance. Is the irrigation order from AP or the Telangana region?

**Y.D. Murthy:** Telangana. The irrigation, drinking water project is from the Government of Telangana.

**Subramaniam Yadav:** Sir, what would be the EBITDA margin in that project?

**Y.D. Murthy:** The EBITDA margins would be around 10% to 12%.

**Subramaniam Yadav:** 10%?

**Y.D. Murthy:** 10% to 12%.

**Subramaniam Yadav:** Further can you give us the breakup of the other income?

**Y.D. Murthy:** Other income basically main part, 90% is interest income and rest is we are meeting some 50 lakhs or so from the rental income, some 50 lakhs is from the miscellaneous expenses like that, but 90%?

**Subramaniam Yadav:** 90% is from the subsidiary right?

**Y.D. Murthy:** Yes from subsidiaries and some interest what we collect from down the level from subcontractors and others where we give the interest bearing loans whenever we receive the advance mobilization advance from clients with interest and also down the level also which adds interest.

**R.S Raju:** Out of 28.6 Crores of other income that we have reported in the first quarter about 26 Crores is on account of interest income on loans and advances given to our subsidiaries?

- Subramaniam Yadav:** But have you actually received this amount or whether this has been again given back as a loan to advance or increment?
- Y.D. Murthy:** 60% to 70% we have received and balance we are accounting on accrual basis.
- Subramaniam Yadav:** Thank you Sir.
- Moderator:** Thank you. Next we have Mr. Ashish Shah of IDFC Securities. Please go ahead.
- Ashish Shah:** Sir, could you give me a breakup of your working capital levels as in the entire inventories, receivables and all of the items?
- Y.D. Murthy:** Just a minute, I will give you. Environmental is 438 Crores, work-in-progress is 1360 Crores, and property development cost is about 16.4 Crores. Trade receivables are 1361 Crores. That is receivables. Short-term loans and advances are 2451 Crores. Current assets are 1660 Crores.
- Ashish Shah:** On the current liabilities and provisions right here?
- Y.D. Murthy:** Current liability is trade payables 2143 Crores, current liability is 1750 Crores. Short-term provisions 72 Crores and short-term borrowings 1735 Crores these are the current liabilities.
- Ashish Shah:** On provisions Sir?
- Y.D. Murthy:** Provisions 73 Crores.
- Ashish Shah:** Sir what would be the overall working capital days at the end of the quarter?
- Y.D. Murthy:** 115 days are there.
- R.S Raju:** Debt collection period is 65 days and working capital days is about 115.
- Ashish Shah:** 115 days. Just lastly on the land part which we mentioned, so what could be the revenue on that the entire other operating income could be taken for land and property sales or machinery sales, which you mentioned or part of the other operating income could be that.
- Y.D. Murthy:** These two elements are there, machinery hire charges and the real estate property sale.
- Ashish Shah:** So by and large other operating income could be that?

- Y.D. Murthy:** Yes.
- Ashish Shah:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Vinay Kakkad of Marvadi Securities. Please go ahead.
- Vinay Kakkad:** Good evening Sir. Actually I want to congratulate for good set of numbers. My question is like recently we have seen in the Gujarat government has brought a system of toll revenue collection from small personal vehicle so will there be any effect if this kind of policy will be implemented throughout India and will it affect any kind of company's revenue or EBITDA margin?
- Y.D. Murthy:** That is a hypothetical question. It is difficult to answer, but first of all, we are monetizing our road assets. We already sold western UP, which is a toll road project, so whether the restriction by the government agencies will be there on toll collections or not it will be the headache of the new incoming owner. Likewise, the Bangalore elevated toll-way also we have monetized but the only thing is money is to be received, 1 lakh is likely to come in the next one month. We have one small project Pondicherry Tindivanam; however, I do not think there is any problem there. If anything is there, we will face it at that time. We have got a concessionary in our favor, definitely if any such thing happens the client has to compensate us, if there is a loss of the revenue because tolls are not allowed to be collected then they have to pay us. That is as simple as that.
- Vinay Kakkad:** My second question is like a company as per the other guidance in annual guidance like they have said that they will achieve 10% growth in revenue for the next year and actually for this quarter the company has achieved this 10% mark so will it continue for the next couple of years or what will be there higher growth in this level?
- Y.D. Murthy:** Every year we will work out a business plan, present it to the board, and based on that we give sort of guidance to the stock exchanges and to the investors. Based on the business plan approved by the board, this year we are targeting 10% whereas next year how it will be unless we work out a business plan of next year, it will be difficult to say at this point in time and also we are targeting higher order accretion in the current year, nearly 12500 Crores and if that accretion happens and the order book will also improve so that will help us to improve the topline growth, but I am confident going forward every year, for the next three to four years at least 10% to 15% topline growth is definitely possible.
- Vinay Kakkad:** Thank you. Sir.

- Moderator:** Thank you. We have next question from the line of Saket Kapoor of Kapoor Company. Please go ahead.
- Saket Kapoor:** Good evening Sir. Thank you for taking my question. Sir, first of all what is the receivables from our subsidiaries as of June?
- Y.D. Murthy:** Receivables from the subsidiaries?
- Saket Kapoor:** Yes Sir. The loan amount that is received from the subsidiaries and what was the figure as on March 2016? I just wanted to know whether we have received any money for this quarter or not?
- Y.D. Murthy:** You are asking about the loans with the company? In total we have received about 320 Crores from the group companies towards the loans which are given earlier.
- Saket Kapoor:** What is the outstanding amount Sir as on June 30?
- R.S Raju:** It is 935 Crores, loans and advances to subsidiaries at the end of the first quarter it is 935 Crores at the beginning of the year it is 1367 Crores so there is a substantial reduction in the loans and advances to the group companies in the current quarter?
- Saket Kapoor:** Sir, this we have received towards the end of the quarter or beginning, just to work out whether interest costs will go down further due to receivable of this money going forward?
- Y.D. Murthy:** This was in the middle of the quarter we received the amount.
- Saket Kapoor:** Does this benefit? So this 300 Crores benefit will percolate to the September quarter on entirety? Meaning our working capital requirement will be down due to this fund coming in?
- Y.D. Murthy:** We will have to see that one how the things take place. Means we have taken up some projects with our mobilization advance, the roads also require money, but of course even this debt at this movement, the level is there, that will cost and absorb the cost since the projects have some margins because of no mobilization advance.
- Saket Kapoor:** Sir, I could not get you, come again?
- Y.D. Murthy:** Even if I maintain the debt at this level apart from what I received in the recent past can absorb the interest cost and higher margin when mobilization advance is not drawn.

- Saket Kapoor:** Sir on the rating part, have we ever to convince the rating agencies so that we can go for now lower interest rates, the competitive rate from the banks?
- R.S Raju:** I have already answered this question. Maybe the rating exercise will be completed by the end of this month and we are expecting rating improvement also. Based on that will be approaching our banks for a possible reduction in commission and interest rates.
- Saket Kapoor:** Sir this loan will be totally off by March 2017 from the subsidiary the 900 Crores also we are expecting?
- Y.D. Murthy:** Same, it will not happen.
- Saket Kapoor:** What is our plan Sir? How can we achieve till March 2017?
- Y.D. Murthy:** 100 to 150 Crores possibilities will be there, if those companies monetize their assets.
- Saket Kapoor:** Thank you.
- Moderator:** Thank you. The next we have Ankita Bhora of B&K Securities. Please go ahead.
- Ankita Bhora:** Sir, last few quarters we are seeing that we are selling real estate land parcels, so just wanted to understand how much land bank is pending as of now and what is the plan going forward?
- Y.D. Murthy:** As per as NCCL land pockets are concerned, we do not any much land pockets at this moment except one or two land pockets. Only urban company has the land pockets. So there already as a business update some two to three land pockets they have put for the sale and in the current year in 2016-2017 there are likely terms of selling one big land pocket so thereby they expect to get some 100 to 150 Crores that 150 Crores they want to utilise to reduce their loans. That amount will come again back to the NCC parent company.
- Ankita Bhora:** This entire money will come to NCC Parent?
- Y.D. Murthy:** The entire amount will come to NCC except some 10% to 20% amount they will retain for the operations of their business. Their internal target is to reduce the loan to the parent company because the interest is all shared but for their operations.
- Ankita Bhora:** Anything has come in so far as from the urban infra?

- Y.D. Murthy:** Urban infra nearly in the first quarter 20 to 25 Crores inflow has happened to us partly for the interest and partly for the principal payment and as far as the land sale is concerned we did not receive, only some advances they received from token advances but the real sales configuration they have not yet received but they are expected to receive sale configuration in a couple of months. Once that happens they will payback our loan amount.
- Ankita Bhora:** Where is this one big land parcel that you are talking about?
- Y.D. Murthy:** One land pocket is at Kakinada and some land pockets at Hyderabad and some land pocket at Goa for one and a half year they are trying to sell that one and they are clearing whatever legal things are there, that process is on.
- Ankita Bhora:** Sir, how would be our total exposure in terms of investments and loans and advances to international subsidiaries and what is the progress there and what are the ways of recovering that money?
- Y.D. Murthy:** International companies the investment there are two companies one is Infra Mauritius Company and others are our construction companies, Dubai Company and other is Muscat Company. There the investment and loan put together are there in each company, roughly 100 and odd Crores would be there, totally 200 Crores should be there in both Muscat and Dubai. So they are doing this business. Once their project and the returns back the money they will clear the loans.
- Ankita Bhora:** By when is that expected?
- Y.D. Murthy:** It depends upon the business. If they receive any new orders again, they put that money into new orders.
- Ankita Bhora:** Are we looking at new orders there? Is the subsidiary looking at new orders there?
- Y.D. Murthy:** At this moment, they do not want to go for any lower margin business and the objective is not to carry with low margin and go for competition like that it is there. Sometimes if we want to maintain the business or to recover the expenses and other schemes or the existing projects are taking some more time to complete those things in the meantime if any good projects come they will take a business call whether to go for that one or not, like that it is there.
- Ankita Bhora:** Just one last, could you just tell me the pending outstanding investments in infra and urban infra? That is it from my side. Infra Holdings and NCC Urban Infra?

- Y.D. Murthy:** You have already asked something the Gulf things, which Mr. Rao has explained. I will tell you the total investments and total group exposure of NCC related to all our subsidiaries, both domestic and international put together and in fact the group exposure last year at the end of March 2016 was 2524 Crores it has come down to 1966 Crores in the first quarter mainly because of the monetization of Western UP and also repayment of debt by NCC Infra to the Parent Company. So our efforts to bring down these things are continuing and debt also last year it was 1367 Crores, it has come down to 935 Crores at the end of the first quarter. That is mainly because of the ICD intracorporate deposit paid by NCC Infra that to the parent company out of the sale proceeds received by Sembcorp as a power project. So our aim is continuing and we will bring it down group exposure further as and when assets are monetized.
- Ankita Bhora:** Sure that is all from my side. Thank you.
- Moderator:** Thank you very much. The next question is from the line of Danesh Mistry of Tata Mutual Fund. Please go ahead.
- Danesh Mistry:** Good evening. Thank you for taking the time out to talk to us. I logged into our call a bit late, so I just had one question on the order book is that we are sitting on a order book of let us say 1900, so what is the kind of any order book guidance the we are talking about and in which segments and geographies could we look to get those orders? Thank you.
- Y.D. Murthy:** This quarter we secured about 3620 Crores and in which the buildings and road segment received 1110 Crores.
- Danesh Mistry:** No, Sir I am saying for the full year?
- Y.D. Murthy:** For the full year?
- Danesh Mistry:** Any guidance that we could share and possibly which segments and geographies would we get these orders from?
- R.S Raju:** See we are looking at an order accretion for the current year of about 12000 Crores as compared to 7500 Crores last year and itself is more than 50% increase, we are very confident we will be able to achieve it. We are a company with all India operations. We actually have a decent realization system of bidding for projects and wherever opportunities emanate we will be participating in those projects and the focus will be on buildings and water pipelines where we have got strong execution capabilities and these two verticals put together costs nearly 65% to 70% of the order book as well as turnover of the company that is likely to continue in the current year. We are active in the Telangana projects, Telangana

state irrigation and water bidded projects and also we are looking at the AP state capital formation building contracts as and when they are awarded, being a local player we are nicely positioned to capture them. Recently we have bagged a road contract also for the AP capital city and likewise we are looking at cash contracts in the road sector, not only from NHAI but also from the various state governments and also we are looking at the HAM projects, whereas hybrid model road projects at NHAI is bidding out we are examining that and carefully we will bid for that and also new initiative we have taken is the mine developer and operator, MDO projects we are looking at them positively and proudly we have bidded some projects there also.

- Danesh Mistry:** For the HAM and for the MDO Sir any kind of capital outlay that we could be looking at?
- Y.D. Murthy:** You see for HAM it is very clear. 40% of the projects cost is being paid by NHAI and so the developer has to bring 60% and if he is able to tie up debt in the ratio of 3:1 from the banking system, the banks will pay 45% of the project cost and he has to bring 15% of the project cost as his contribution as equity. Suppose HAM projects of 1000 Crores we have to bring in equity 150 to 180 Crores.
- Danesh Mistry:** Got it, would we look at some major amount of equity getting into these HAM projects or would we focus more on the other projects?
- Y.D. Murthy:** We will not go beyond 200 Crores. The idea is because in Western UP and BETL, Bengaluru Elevated Tollway by monetizing these two assets we are getting cash of nearly 200 Crores and it makes sense to participate in BOT or hybrid model BOT which is looking better now mainly because the traffic risk is not there. Earlier in the BOT model, I put 30% equity now I have to put only 1% equity and also the traffic risk is not there and also the competition levels are comparatively less, so we are looking at it perhaps as you know we never bid so aggressively for these projects.
- Danesh Mistry:** Just two questions, if I may, one is on the MDO what is the kind of traction that we are seeing on the ground with some of the large operators?
- Y.D. Murthy:** The projects are having a life of 25 to 30 years and the value of the projects on an annual basis the turnover would be in the range of 700 to 1000 Crores. So basically those projects require the machinery and followed by some infra facilities. So the machinery in fact can easily tie up the loan for the machineries since the materials are available in the market. So the project what we have got or looking for that one is does not require any gestation period, it will start the commercial production. So we build a model finance model whereby it requires only hardly of 100 to 200 Crores capital that we can sort the big projects into operations. Since it would not require any gestation period it generates the revenues from



second month onwards thereby the project is able to pay the interest rate from the beginning without any accumulation during or IPC type of costs. So in such a model we are looking satisfied.

**Danesh Mistry:** But are these projects forthcoming in the market, Sir at the moment?

**Y.D. Murthy:** Yes, projects have come. One project we have already bidden and we got that project and we are waiting for the issue of the final LOA with agreement.

**Danesh Mistry:** So is it like a LI kind of thing there also?

**Y.D. Murthy:** Yes, we became LI and shortly they will issue this final LOA and the agreement copy. They are sorting out some certain issues, at the client level they are working on the proceedings.

**Danesh Mistry:** Sir, one last question. The AP contracts are they also on zero mobilization?

**Y.D. Murthy:** No they are giving mobilization advance.

**Danesh Mistry:** AP is giving. It is Telangana where the mobilization part is not there?

**Y.D. Murthy:** Mobilization part is not there.

**Danesh Mistry:** Thank you very much. Wish you the very best of luck.

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

**Parvez Akhtar:** Good evening Sir. Congratulations for good set of numbers. Sir, you mentioned that we have received 320 Crores from our subsidiaries, so I think part you said has come from NCC Urban. What is the quantum that we received from NCC Infra in this quarter?

**Y.D. Murthy:** NCC Infra Holdings nearly 300 Crores we received.

**Parvez Akhtar:** And now considering that our loans to subsidiaries have fallen to about 930 odd levels what is the kind of other income that we will see for let us say for the whole of FY2017? Will we touch about 100-odd Crores?

**Y.D. Murthy:** Yes, it should be between 90 and 100 Crores because last year it was almost 190 Crores this year it will be below 100 Crores.

- Parvez Akhtar:** Lastly Sir, what is our net current assets at the end of Q1?
- Y.D. Murthy:** Current assets are 3675 Crores including the advances to group companies. When we exclude the group company loans the net current assets are 2740 Crores.
- Parvez Akhtar:** Thank you. That is it from my side. All the best for future.
- Y.D. Murthy:** Thank you.
- Y.D. Murthy:** We thank all the participants for their enthusiastic participation and if anybody got any other questions they can send me an email or call us separately. We will take care of your questions. Thank you very much.
- Jaspreet Singh Arora:** Thank you Mr. Murthy and good evening.
- Moderator:** Thank you. On behalf of Systematix Shares that concludes this conference. Thank you for joining us. You may now disconnect your lines.