

Ref. No.: NCCL/ Regulation 30/2022

Date : August 17, 2022

National Stock Exchange of India Ltd

Exchange Plaza, C-1, Block G

Bandra – Kurla Complex

Bandra (E)

MUMBAI - 400 051.

Symbol: NCC

BSE Limited

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Dalal Street,

Fort

M U M B A I – 400 001.

Code: 500294

Dear Sir(s),

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

Please find enclosed herewith the transcript of the earnings conference call that took place on August 10, 2022 with analysts discussing the performance & financial results of Q1 of the F.Y. 2022-23. The transcript is also available on the Company's website at <https://ncclimited.com/analysts.html>.

The Transcript includes list of management attendees and the Q&A's, any assents/dissents and open points.

Please note that no unpublished price sensitive information was shared/discussed in the earnings call.

Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.

M V Srinivasa Murthy

Company Secretary & EVP (Legal)

Encl : As above





“NCC Limited
Q1 FY 23 Earnings Conference Call”

August 10, 2022



MANAGEMENT: **MR. KRISHNA RAO - EXECUTIVE VICE PRESIDENT,
FINANCE & ACCOUNTS, NCC LIMITED**
**MR. P. V. VIJAY KUMAR - VICE PRESIDENT,
FINANCE, NCC LIMITED**
**MR. NEERAJ SHARMA - HEAD OF STRATEGY &
INVESTOR RELATIONS, NCC LIMITED**
**MR. K. DURGA PRASAD - GENERAL MANAGER,
FINANCE, NCC LIMITED**

MODERATOR: **MR. MOHIT KUMAR - DAM CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY23 Earnings Call of NCC Limited, hosted by DAM Capital Advisors. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touch-tone phone. Please note, that this conference is being recorded.



*NCC Limited
August 10, 2022*

I now hand the conference over to Mr. Mohit Kumar from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Mohit Kumar:

Thank you, Aman. On behalf of DAM Capital, we welcome you all to the NCC Q1 FY23 earnings call. From management today, we have with us, Shri Krishna Rao, Executive Vice President, Finance & Accounts; Shri P. V. Vijay Kumar, Vice President, Finance; Shri Neeraj Sharma, Head of Strategy & Investor Relations, and Shri K. Durga Prasad, General Manager, Finance.

Without much delay, I'll hand over the call to the management for their opening remarks, which will be followed by Q&A session. Over to you, sir.

P. V. Vijay Kumar:

Good afternoon, everyone. Welcome to NCC quarter one FY23 earnings investor call. I thank each one of you for taking time to attend this. I hope I am audible properly. Before we start, I will just spell out a small disclaimer clause and then we shall go into the subject. The statements made here or in the presentations uploaded by the company are to our best of knowledge true and any forward-looking statements are subject to certain factors beyond control of the company officials and management. And hence, the audience are advised to use their discretion in their own analysis accordingly.

Now, we shall go into taking the performance of the company for this Q&A into account. I will briefly start with opening remarks followed by Q&A. I have my colleagues CFO for Krishna Rao Garu, GM, Durga Prasad Garu, and Neeraj, Head, Strategy & Investor Relations present in the call, who may take your questions eventually. Considering the time limitation, we request the audience to limit to one or two questions per person. Okay.

We'll come into the main subject now. Our economy has shown its dexterity in passing through tough challenges in the last two years. You're all aware of that. As you may recall, NCC after posting degrowth of 13% in FY21, it has recently raised back in FY22 posting 37% growth. In many sectors we see near pre-COVID level of activity. However, while the pandemic is still around, geopolitical tensions are affecting the ambience of our economy. A strong growth momentum pushed the real GDP in Q3 of '21-'22 to 106% of pre-pandemic Q3 output of 2019-'20. Also, GST collections during April 2022 stood at INR1.67 lakh crore, registering a double digit growth of 20% compared to corresponding period last year, and 46.7% higher than the corresponding pre-pandemic level.

India's economy grew 7.5% to 8% in FY22 and is expected to grow 7% to 7.5% in FY23.

Future going forward, it seems government is rightly supporting the infrastructure segment, construction segment as well. In the recent budget, you can see the government giving a lot of thrust on infrastructure spending and weighed it has a good option to drive consumption and growth in the economy. The economic survey also observed that gross fixed capital formation exceeded three pandemic level on the back of ramped up public expenditure on infrastructure. The government has also emphasized on expanding road network and more emphasis on giving boost to PM Gati Shakti plan and PM Aavas Yojana as well.

You may note that NCC sort of comprises of 57% from Buildings division, 18% from Water & Environment division and rest in Roads, Mines and Electrical etc. So, we are well placed to encash these opportunities.

Notwithstanding all this good news, the economy is facing still challenges in terms of high inflation, falling rupee, supply chain disruption, pressures on commodity prices, etc. However, I mentioned that NCC is well placed in terms of its contract execution and we have adequate protection in terms of the contract provisions. Considering all this, NCC is well placed in terms of order book at a level of INR40,616 crore. We have started this quarter by bagging INR4,456 crore of contract in this quarter. The main orders during the quarter bagged is the wastewater treatment plant at Malad, Mumbai, which has INR3,833 crore of EPC company. Of course, it has a O&M component of INR1,854 crore as well.

I will touch upon briefly the financials for the Q1 FY23 now. We have achieved a top-line of INR2,990 crore with an EBITDA of INR281 crore and PAT of INR120 crore. This means we have recorded a growth rate of 56% in top line, and 132% in bottom line. EBITDA levels remained at 9.51% compared to 10.55% in the previous year. Slight dip in EBITDA margins is on account of increased material cost. However, compared to previous quarter, the EBITDA margins improved by 100 bps mainly on account of mellowed down increase in material costs in the first quarter.

Though the overall financing costs increased from INR103 crore in corresponding quarter last year to INR108 crore during the Q1 FY23, the revenue has increased by 56% and hence the effect below EBITDA is positive. And hence, you can see the PAT margin also increasing. Our overall debt remained at INR1,707 crore as against INR1,936 crore at the end of FY22.

I may indicate here that 3.63% of revenue remained as a financing cost. So, if I can share you share with you the breakup of financing costs, LC charges stood around INR7.05 crore. BG Commission stood around INR23.11 crore. Interest on CC WCDL stood at INR30.82 crore. Interest on term loan, INR4.14 crore, interest on mobilization advance stood at INR27.21 crore and balance, others. I may also share that promoters have brought in INR106 crore towards subscription of warrants issued to them. This indicates the conviction of promoters in the business. With a proposed subscription, the promoters' holding will stand at 21.11% of total holding.

And at the end of the quarter, receivables stood at INR2,395 crore compared to INR2,492 crore in the previous quarter. The reduction is mainly on account of improved collection of receivables. The receivables period has come down from 125 days same quarter previous year to 94 days of the quarter ended FY23. This resulted in efficient turnover of working capital cycle. We have drawn INR1,487 crore of CC WCDL limits from banks. Compared to previous quarter, this is higher by FY22 gross.

As you are aware, RBI have increased the repo rates during the quarter three times. We are able to see an immediate increase in interest rate so far as much of the loan portion is in WCDL form. Interest coverage ratio for the quarter stands at 2.88 times while it was 2.05 times same quarter previous year.

As you are aware, the last quarter, we have successfully completed divestment of NCC Vizag Urban which holds about 98 apex in Vizag, the cash flow out of divestment are expected to accrue this year, about INR150 crore during the year and loan repayment of INR318 in next two years' time.

If I may touch upon briefly the consolidated financials also, we have registered INR3,351 crore of revenue on PAT of INR130 crore, which is 61% and 160% higher compared to the same quarter previous year. At consolidated level basic EPS stands at INR2.13 as against INR0.82 in the corresponding quarter previous year.

Coming to the last part of my briefing, we remain bullish on our economy considering infrastructure spend revenue growth. However, this is challenged by geopolitical tensions, global financial market conditions, international commodity market dynamics etc., which will drive the trajectory of the economy. Still, we have the threat of pandemic around looking to the health emergency declared by U.S. and lockdown implemented by China.

Our Board has mulled over the outlook and has felt it is prudent to watch and wait before we crystallize on the guidance part. Though the immediate guidance is not available at the end of this quarter, maybe, I personally feel, EBITDA levels more or less should continue and PAT is likely to be the improved level as this quarter. And of course, top line possibly it may hover around 15% to 20% range growth. However, we still have to crystallize the numbers at the Board level and then we need to furnish these numbers to you guys.

With this brief, now, I will hand over to my colleagues and we are open to questions now. We'll take questions. I request one or two questions per participant. Please consider we are here for next 45 minutes here. And I open the forum now to open the questions.

Moderator: Thank you very much, ladies and gentlemen. We will now begin the question-and-answer session. We have the first question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: First of all, congratulations on a great set of numbers. Sir, my first question, as you mentioned that, still we haven't crystallized in terms of the guidance, but still just trying to understand 15% to 20% revenue growth that, do we see that is on the much lower side? And likely we can we can surpass that number? And on the EBITDA margin front on the full-year basis, can we see a 10% number at least?

P. V. Vijay Kumar: See, the exact guidance is not provided by the Board head. But however, looking to the trend 15%, 20% is a safe figure to assume in the top line. The EBITDA stood at 9.5% this quarter and as you have rightly assumed, possibly, it has a basis we may continue at the same levels to 10% or something like that. And with the improved turnover, the PAT margins also are likely to improve. We are at now 5.28%, sorry, 4.01%. This may also hover around 4.5%.

Shravan Shah: Okay. And other question is in terms of the order inflow. So, including the recent one, the July one, so, around I think INR6,100 order is already there. So, for the full-year, last time we have said that around INR14,000 crore, INR15,000 crore kind of inflow are we looking at? So, what's the update on that? And I need a couple of data points, particularly on the balance sheet side. So, what's the standalone gross debt and unbilled revenue and subsidiary order book in the console order book number that we have given?

P. V. Vijay Kumar: Okay. As far as the order book is concerned, now, it is a net figure what we are given to you, INR4,000 crore odd, and of course, I have expanded it briefly in my initial introduction, there is an O&M component of...there is a majority component INR1,854 crore. And this trend is likely to continue. Compared to last year it was much higher than the order book position what we have, orders what we have bagged in the last year.

Now, coming to your other questions, your gross debt position, right?

Shravan Shah: Yes. So, gross debt, unbilled revenue and subsidiary order book. So, that was around 3,058 crore as on March. So, what's the number as on June?

Krishna Rao : Yes. Yes. With regard to the orders of the subsidiary companies, we have executed during the quarter INR265 crore turnover. And now at the end of the quarter, it stands at INR2,778 crore. There may be a possibility of INR1000 crore or so, to get an order to this, by the end of the financial year.

In regards to unbilled revenue, we have at around INR2,895 crore unbilled revenue and unbilled revenue is, the more we execute the number of projects, the unbilled revenue is going to increase further. And more particularly, this is two reasons. One is, that with regard to the UP projects where the billing pattern has been changed. For every village Gram Panchayat, we need to submit a separate bill, that is why it is going to go up. Number one. With regard to the other project cities, a stage-wise billing, thereby, we need to wait for the completion of the stages and protocol. These are with regard to the unbilled revenue.

And coming to the debt moment, debt stands at the beginning of the financial year is INR 1,184 crore and we have taken because 56% more in revenue growth, we have drawn around INR 547 crore working capital and we too have a repaid missionary and other loans to the tune of INR,24 crore. So, net debt stands for the quarter is INR1,707 crore. That is with regard to the standalone. And the consolidated level, there is a reduction in Urban, to the tune of INR33 crore. So, with regard to that consolidated debt at the end of the quarter stands at 1,753 crore. So, the increase in the quarter by INR450 crore.

- Moderator:** The next question is in the line of the Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Sir, just continuing on the debt part. So, now that we have released debt of around INR1,700 crore level, up more than INR500 crore from the last quarter ending, of INR1,200 crore approximately, how do you see this debt proceed through the year? What are we looking as the year ending debt figure for us?
- P. V. Vijay Kumar:** See, if you have observed during this quarter and last quarter also, the debt has substantially come down. That is mainly on account of the faster, efficient turnover of the working capital cycle, we are less dependent on the debt. Going forward, the same trend will continue. We are, at this level, we will continue to have the same level. However, we are optimistic that there can be a slight reduction also.
- Vibhor Singhal:** So, you're expecting debt could be at INR1,700 crore level at the end of the year, but maybe there is some reduction?
- P. V. Vijay Kumar:** See, there could be a reduction because we are not providing you the exact guidance in terms of revenues and profitability. I will not be able to exactly comment upon what would be the debt level too. So, going by the general expectation of 15%, 20% growth in the operations and reduced operating cycle, there could be possibly a reduction.
- Vibhor Singhal:** Got it, sir. And sir, from the Vizag liability, how much cash have we received till now and how much cash are we expecting in this year?
- Krishna Rao :** Yes. This is as of 31st March 2022, we have received a INR47.5 crore and as per as the shareholders agreement, the secondary tranche is due in September '22, that is INR52.25 crore and December 22, the same amount, third tranche and the last and fourth tranche is by March '23. INR152.5 is expected to realize in this financial year.
- Vibhor Singhal:** Okay. So, this, the announcement that we had made the time of the land deal, those milestones remain the same? September, December and March each of the three dates, we should receive around INR50 crore in this year?
- Krishna Rao:** Correct. And with regard to, that is with regard to the equity and there is a loan component to the tune of as of March, INR310 crore. As per the agreement, we are expected to get realization in two years that is on or before March 2024 with 10% monthly compounded interest.
- Vibhor Singhal:** Got it. Sure. And in two years that will be repaid?
- P. V. Vijay Kumar:** Sure. Yes.
- Vibhor Singhal:** Fair enough. Got it, sir. Also, sir, so, if I could just get the order book breakup, if possible in terms of different segments?
- Krishna Rao:** You wish to have a division-wise?
- Vibhor Singhal:** Yes. Division breakup of the INR40,000 crore order book that we have.
- Krishan Rao:** Yes. Yes. Building division, INR25,302 crore stands at 62%. Roads, INR908 crore, 2%. Water & Railways, INR6,565 crore at 16%. Electrical, INR2,641 crore, 7%, and Irrigation, INR1,070 crore, 3%. Mining, INR3,888 crore, 10%. All others put together, INR250 crore at 1%. This totaling to INR40,616 crore at the end of.
- Vibhor Singhal:** Got it, sir. Sure sir. Sir, just one last question from my side. Sir, we were very optimistic about the bullet train project between Mumbai and Ahmedabad earlier, but almost all the bidding in Gujarat were of course, taken by larger companies. Now, that the land acquisition process has

started in the state of Maharashtra, are we looking to bid for those projects and are we hopeful of getting any contracts on that project?

- Neeraj Sharma:** See, this is Neeraj Sharma. You have rightly summed up the development of the past. But going forward we are quite hopeful, but, our considered view on this subject is, it will take lot of time for the project to come up for bidding. But as and when the project comes up for bidding, we would be very much interested to put our bid on the table.
- Vibhor Singhal:** Because there is one bid for the underground station at BKC. Are we looking to bid for that?
- Neeraj Sharma:** No. That one and maybe the C3 package. The package that is going to come up in the state of Maharashtra, there is a big bid due and we will also consider that tunnel part. This road, this track needs to be go underground from the Mumbai. We will definitely look at that project too. And as and when this comes for bidding and we'll see. So, there are a couple of packages that is still expected to come up for bidding in about later say about 6 to 12 months' time.
- Moderator:** Our next question is from the line of Nikhil Abhyankar from DAM Capital. Please go ahead.
- Nikhil Abhyankar:** Congrats on very good set of numbers. I just wanted to know our Group exposure to a company is in the tune of around INR13 billion. So how do you see this number by the end of the fiscal year? Are there any reductions possible in it?
- P. V. Vijay Kumar:** Yes, the total exposure to the Group stands at INR1,302 crore end of March 2022, which has substantially come down from, I'm sorry. You are talking about exposure to the group companies, right?
- Nikhil Abhyankar:** Yes.
- Krishna Raor:** Okay. Exposure to the group companies as at the end of June 30th, 2022 is INR 1,292.39 crore. We are confident that we are able to maybe get another INR100 crore reduction during FY22-23.
- Nikhil Abhyankar:** Yes. I just wanted to ask, earlier you have already said that you are not giving any revenue guidance as of now, but I wanted to know, quarter-on-quarter our margins have improved by 100 basis points and certain commodity prices have also come down. So, do you see any substantial increase in the margin going forward?
- P. V. Vijay Kumar:** This is a very likely scenario. That's what I just briefed in the introduction because the commodity prices are mellowing down and subject to notwithstanding all these global factors, possibly we may see an increase of another 50 bps or something like that.
- Nikhil Abhyankar:** Okay. So, somewhere around 10...?
- P. V. Vijay Kumar:** We are yet to get a complete guidance from the Board.
- Nikhil Abhyankar:** When can we expect that, sir in the next quarter?
- P. V. Vijay Kumar:** Let us see. Our Board is seriously looking at various options and know how to give you the right guidance which is very realistic to all the investors. So, we hope so.
- Nikhil Abhyankar:** Okay, and just one last question, sir. We have seen some very positive news coming from the receivables from Andhra Pradesh government in the last two quarters. So, what is the recovery in this quarter and where do you see in this fiscal?
- Krishna Rao:** Yes, this quarter from Andhra Pradesh, we have received INR117 crore and in July alone, we have also received INR 44 crore with regard to the APTIDCO the work continuing, and we are getting realized, not only the outstanding, unbilled revenues also.
- Nikhil Abhyankar:** Understood, sir. And what can be the total this thing?

- Krishna Rao:** It all depends upon the balance works to be completed. We can --- in this financial year, we may expect around INR300 crore out of the old projects.
- Nikhil Abhyankar:** INR300 crore from the old projects?
- P. V. Vijay Kumar:** Yes.
- Nikhil Abhyankar:** Okay.
- P.V.Vijay Kumar:** You know, how the moment happens in AP government. So, it depends on that.
- Moderator:** Our next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Sir, just coming back to the AP exposure, if you can just leave us with a number that is outstanding exposure as of June '22?
- Krishna Rao:** Yes. As of end of June, we have the net receivables for INR 496 crore and retention money INR238 crore.
- Ashish Shah:** Right. Is there any other component or these two are the only outstanding components?
- Krishna Rao:** Only these two. Nothing else.
- Ashish Shah:** Right, sir. Also, in terms of our outlook for inflows, what is the kind of number that we might target this year and especially, where are you seeing the opportunities? Are you seeing more in the water side or we can expect something more on the building side? So, if you can just directionally ride us, from where should we expect the inflow for this year?
- Neeraj Sharma:** See, as you are aware about this, water projects, Jal Jeevan Mission, we are seeing lots of bidding activity in the sector, as well as there are also a lot of opportunities in buildings, as well as roads. There are projects that is coming up for bidding in distribution sector as well. So, we, and of course, not to forget about the Metro sector. So, we are targeting opportunities in these five, six sectors in a very, very planned manner. And as and when the project come up for bidding, we definitely do a proper evaluation of the project. We try to look at the client. We try to look at the funding pattern. We try to look at the location. We try to look at the competition, then accordingly, we decide whether to bid or not.
- Ashish Shah:** Right. Sir, sorry to push you on this, but is there any number you have in mind for the inflow for the financial year?
- Neeraj Sharma:** My colleague has already answered this question in great detail earlier, that we do not have a guidance as we speak. So as and when we will have a number, we will definitely share that with you. But as we speak, we do not have a number to talk about at this moment.
- Moderator:** Our next question is on the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Sir, I just wanted to understand more on the revenue front. Now FY22 itself was a low base because of the first quarter, right, the second wave. So that's the reason we grew about 55%, 56% this quarter. Now, ideally, a 15%, 20% kind of a revenue growth looks conservative, given, I mean, even if we kind of do not grow in the remaining nine months on Y-o-Y basis, we will still be able to achieve a 20% growth, right. So, just wanted to understand, do you think that's a little conservative, the numbers that we have talked about?
- P. V. Vijay Kumar:** Your instinct could be right. You see the run rate, quarterly run rate if you see, we are there at around INR3000 crore his quarter and possibly, generally, going by the trend the last two quarters you will see much higher activity in the construction, which is a general to any competition in the construction sector. So, I'm just giving you a hint, if the same run rate

continues, 15%, 20% is quite achievable number. Of course, as I said, we will share with you in case when we have exact number on this.

- Moderator:** Our next question is from the line of Rohit from Antique . Please go ahead.
- Rohit:** So, I just missed out on the order backlog from Water segment. What exactly is the outstanding order backlog looking like?
- Krishna Rao:** INR6,565 crore as the backlog for the quarter.
- Rohit:** And if I recollect it correctly, this was like INR8,000 crore in the last quarter, which means roughly INR2,000 crore is the execution.
- Krishna Rao:** No, no. INR7,192 crore was at the beginning of the quarter and INR660 crore was the execution.
- Rohit:** Okay. Okay. So, if I understand it correctly, this has to be executed in a very short span of time, right? So, this means this number should largely be exhausted by the end of the year. Is that a fair assumption?
- P.V Vijay Kumar:** Not necessarily. You see Jal Jeevan mission focuses on the last mile connectivity to the households. Now, for each of the location the survey needs to be done, the approvals need to be obtained. So, feasibility is also supposed to be worked out. So, there are various number of parcels of talukas, mandals and all that. So, that way it is not as expected, the pace cannot be as expected but this is how it goes.
- Rohit:** Okay. But is there any closure date that you have at this point? I mean, this project will probably spill over next year as well? Is that what you're trying to say?
- Neeraj Sharma:** You see, the exact completion date as I said, these are the factors which will determine the completion date. So, possibly you may look at them the next span of like, it may spill over like next two to three years or something like that.
- Rohit:** The next two to three years?
- P.V Vijay Kumar:** Possibly, but that is subject to each mandal, each Taluka, how it is happening. The kind of progress the state government is showing. So, subject to that. Otherwise, ideally, we can talk about that.
- Rohit:** Yes. And in the building and housing segment's execution, there is no slow moving orders or something like that, which spills more than two years of execution cycle, right?
- Krishna Rao:** No, these vary. Each order, they have as per the contract agreement, two years to five years. It varies depends upon and as per the contract agreements and the availability of the clearance from the client, it continues, and we are executing as per the contract agreements.
- Rohit:** So sir, coming back to this Water Project, you highlighted that there are lot of opportunities. Can you quantify any number, addressable opportunity that you have in mind?
- P.V Vijay Kumar:** It is quite complex to answer that. We're working in detail. With the Board approval, we should be able to share with you in due course. But however, that's right now not on the table.
- Moderator:** Our next question is from the line of Meet Parikh from Anand Rathi. Please go ahead.
- Meet Parikh:** So, I just wanted to ask, what is the cash position at the end of the quarter?
- K Durga Prasad:** INR552 crore. Cash and bank balance is INR552 crore.

- Meet Parikh:** Okay. So, you mentioned that the related party transaction has come down from INR1,300 crore to INR900 crore. So, can you give a break up on how this has come down around INR400 crore?
- Krishna Rao:** This we have been mentioning that we were able to disinvest NCC Vizag Urban, where there is an equity of INR50 crore and debt to the tune of INR300 crore. So, that is at the INR350 crore. This is the reduction.
- Meet Parikh:** Okay. And sir, lastly, on the press release, which you have put out with the results, it says around INR4,000 crore worth of orders have been announced during the quarter, but according to the announcements on the BSE, the orders have been quite high. They have been around the tune of INR6000 crore. So, any mismatch on the order inflow?
- Neeraj Sharma:** I will answer that question The reason is you are also taking into account the orders which are announced last month, that is in July. So, if you discount that, we are talking only about the first quarter, right, from April to June. Then that number matches. We have announced few orders.
- P. V. Vijay Kumar:** And I have indicated to you in my initial briefing, the major component is INR1,854 crore of O&M component. So, that is not concerned because that needs to be implemented over a period of like 15 years or something or so. So, that is not factored in when we talk about the order book position.
- Moderator:** Our next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** And sir firstly, commendable job done by the team. Very, very, improved set of numbers. Sir firstly, would like to understand some more color on the numbers, whether the factors which enabled you to setup improved margins are the sustainable numbers? So, can you explain more on the continuity of these numbers and sustainability of the numbers? Sir, I was looking at the sustainability of these margins. This quarter, I think so, we have posted one of the best PBT numbers on a console level. So, are these numbers sustainable going forward? Have we put the ship in order that these numbers can be looked forward at the margins, which we have posted for this quarter?
- P.V Vijay Kumar:** See, one critical factor that would determine the margin would be the commodity prices. But however, if you see in the recent trend, there is a mellowing down in the overall commodity prices. So hopefully, I think looking to the macroeconomic conditions, like downward trends in the China and U.S. economy, I think this should continue. So based on that, we are optimistic that the EBITDA margins would continue and possibly there is a kind of improvement too.
- Saket Kapoor:** Okay. So, when we look at these two line items, firstly, the subcontract work bill, and the finance cost, these are the percentage of sales and how do these two line items should shape up? Specifically, subcontractor work bill, because when we look at your March numbers, we posted a turnover of INR3,478 crore and the subcontractor work bill were added to the tune of INR1,448 crore. Whereas, on a top line INR3300 crore, INR3321 crore, we have a subcontractor reduction of INR200 crore when the topline has gone down by INR150 crore. So, would like to understand how this line item of subcontractor work bill will pay on the turnover pipe?
- Krishna Rao:** Say the subcontracting varies project to project, number one, division to division and again from the stage to stage. So, absolutely, it is not practicable and possible to compare with the turnover and the subcontractor expenditure of one quarter and one division with the data of the next quarter. So, it varies.
- Neeraj Sharma:** If I may add some color to the answer given by my colleague, it depends on the project mix in this particular quarter. There are things that we prefer to subcontract. Let us say that we are planning to start a project. So, before we start the project, you know this land development, I'm

just giving you an example, or this boundary walls. So, we prefer to subcontract. So, when we are talking about a quarter number, this depends on the what project mix we are really looking at? The project is at what stage of the execution? Then accordingly, these numbers change.

- Saket Kapoor:** Right. So, as a percentage, what should we look as the subcontractor bill segment as a percentage of top line?
- Neeraj Sharma:** See, it would not be possible to give a number, but I can share my experience with you. Maybe you can look at the last three years number and take a weighted average. So that will give you some numbers to work out your PBT kind of calculation.
- Saket Kapoor:** Just two small points and then the can you close this. Only two points. Firstly, on the finance cost part, sir. What have been our blended cost of funds and what percentage of sales should we look at the finance cost line item?
- P. V. Vijay Kumar:** Yes, the average financing cost, I mean the average rate if you talk about, it is 8.67%. And as a percentage of revenue, it is 3.63%.
- Moderator:** We will move to our next question from the line of Nikhil Kanodia from HDFC.
- Nikhil Kanodia:** Sir, I just wanted an update. What is the update on the arbitration on the SEMB Corporation and TAQA India?
- Neeraj Sharma:** About the SEMB Corp part first, the counter arguments are expected to start on 15th of this month. And we are hopeful that, you know, by the end of this financial year, we will have some clarity. On the TAQA part, TAQA part as well, there are two, three parts of the litigation, and you know, all of them are in different stages. It will take a while, you know, to get some clarity. Incidentally, we got an award in our favor about INR9 crore from this Madras High Court recently. But we believe that that has been subsequently challenged. So, it will take a while. It is very difficult to talk about a timeline. You know how this whole judicial process works. It will take a while.
- Nikhil Kanodia:** Okay. So, in case of AP, you have mentioned about the revenues that you would have booked in Q1. As on the, at the end of the quarter, what is the outstanding order backlog?
- Krishna Rao:** From AP?
- Nikhil Kanodia:** Yes, from AP.
- P. V. Vijay Kumar:** Is it the overall backlog or is it particular to any AP?
- Nikhil Kanodia:** Sir, particular for AP.
- Krishna Rao:** AP, old and the new. altogether is INR3,279 crore orders at the end of the quarter.
- Nikhil Kanodia:** Okay, sir. Understood. And sir, in case of Sea link project, so, is there any impact of the change in the government?
- P. V. Vijay Kumar:** Which?
- Nikhil Kanodia:** Sea Link project.
- Neeraj Sharma:** Let me let me answer your question. As per the evidence available on the table, we have no reason to believe that you know there is going to be any change whatsoever in the project. We are deeply engaged with the client, as you are aware that project of this magnitude and this complexity takes a lot of time to get finalized. So, we are deeply engaged with the client. We are in the process of signing the contract.

- Moderator:** We'll move to our next question from Parvez Qazi from Edelweiss.
- Parvez Qazi:** So, just two questions from my side. Was there any revenue contribution from our international project in this quarter?
- K. Krishna Rao** Only INR3 crore. This is a project at the closure stage.
- Parvez Qazi:** And secondly, what was the CapEx that we have done this quarter?
- K. Krishna Rao:** INR57 crore.
- Moderator:** Thank you, ladies and gentlemen.
- P.V. Vijay Kumar:** Thank you so much. We will conclude the call now. I thank each one of you for participating in the call and we are available for any of your queries. You can send us a mail. You have our contacts and all that. So, I once again, thank each one of you for taking time and participating in this call. So, we'll see you next. Thank you so much.
- Moderator:** Thank you very much.
- Neeraj Sharma:** Thank you.
- P. V. Vijay Kumar:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of DAM Capital Advisors Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.