



NCC

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Bandra (E)

MUMBAI - 400 051.

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BSE Limited

Phiroze Jeejeebhoy Towers

Dalal Street,

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M U M B A I – 400 001.

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

Please find enclosed herewith the transcript of the earnings conference call that took place on February 08, 2022 with analysts discussing about the performance & Financial Results of Q3 of the F.Y.2021-22. 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

(Formerly Nagarjuna Construction Company Limited)

CIN: L72200TG1990PLC011146

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



“NCC Limited
Q3 FY2021- FY2022 Earnings Conference Call”
February 08, 2022



ANALYST:

MR. MOHIT KUMAR – DAM CAPITAL ADVISORS LIMITED

MANAGEMENT:

MR. Y.D. MURTHY - EXECUTIVE VICE PRESIDENT – FINANCE - NCC LIMITED

MR. KRISHNA RAO - EXECUTIVE VICE PRESIDENT – FINANCE & ACCOUNTS - NCC LIMITED

MR. P. V. VIJAY KUMAR– VICE PRESIDENT FINANCE - NCC LIMITED

MR. K. DURGA PRASAD - GENERAL MANAGER FINANCE - NCC LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the NCC Limited Q3 FY2021-FY2022 Earnings Conference Call hosted by DAM Capital Advisors Limited. 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, please signal an operator by pressing “*” then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mohit Kumar from DAM Capital. Thank you and over to you sir!

Mohit Kumar: Thank you Bikram. On behalf of DAM Capital, I welcome you all to the Q3 FY2022 Earnings Conference Call of NCC Limited. Today, we have from the management, Mr. Y.D. Murthy - Executive Vice President, Mr. Krishna Rao - Executive Vice President – Finance and Accounts, Mr. P. V. Vijay Kumar – Vice President Finance, Mr. K. Durga Prasad – General Manager Finance. Without much delay, I will hand over the call to the management for the opening remarks which will be followed by Q&A session. Over to you Sir!

Y.D. Murthy: Thank you Mohit. Good evening to all the participants and also, I welcome my colleagues, who are in this conference call from the management side. We will make some opening remarks and advise you what has happened in the Q3 of FY2022. Before that I would like to scan the macro environment and tell the opportunities that are unfolding for a company like NCC.

As you all know the budget for FY2023 was presented by the Finance Minister on February 1, 2022 and it is a growth and development-oriented budget with a special emphasis on public capital investment in infrastructure. The capital allocation has gone up by about 35.4% for the next year i.e., FY2023 to a level of about 7.5 lakh Crores from a level of 5.5 lakh Crores in the current financial year that is almost 2.9% of the GDP and so the government is focusing a lot on infrastructure development not only to kick start the economy but also to create substantial job opportunities and also good demand for downstream industries like cement, steel and other manufacturing industries.

The Finance Minister was on record saying that in FY2023 the road construction activities will be of the order of 25000 kilometers as compared to about 10000 kilometers or 11000 kilometers in the current financial year, that is a big jump as far as road construction is concerned. Likewise, she also announced four multimodal logistic parks, 100 cargo terminals and eight rope-way projects, they call it the Parvat Mala.

All these measures by the government will support the economy and see that Indian economy will go into a growth trajectory and reach that \$5 trillion target in the next few years or so. They are also talking of the Holy Trinity, the Holy important things for next year i.e., one is NIP that is National Infrastructure Pipeline, number two is the PM Gati Shakti and number three is the enhanced capex in FY2023. All these three put together are expected to take the infrastructure business of the country into a higher orbit of growth in FY2023.

For example, for road transport they have allocated about 1.9 lakh Crores in the budget out of which 1.34 lakh Crores will be given to National Highway Authority in FY2023 thereby the debt level of National Highway Authority is likely to come down substantially. Also, certain measures were announced by the Finance Minister to address the difficulties being faced by construction companies. She has mentioned that the insurance companies will be allowed to provide surety bonds, bid bonds for construction activity. IRDAI the Insurance Regulatory Authority has been mandated to look into these aspects. They have formed an expert committee and the recommendations of the committee have been already approved by the Insurance Regulatory authority.

Now, the surety bond business will be taken up by General Insurance companies. They are working out the modalities, but in short what it means is construction companies will have another avenue of bank guarantees or bid bonds available to them in order to take care of bidding for various projects.

As you know we had lot of difficulty in terms of bid bonds and bank guarantees mainly because banks were not very willingly coming forward to support construction activity but now another window is being opened which is a very good thing for construction companies like us and also, the government has mandated the construction contractors running bills should be settled in ten days and if it is not done in ten days at least 75% will be paid on the tenth day and the balance after the issues are resolved.

This is also very good step in the right direction mainly because most of the construction companies suffered a lot because of delay in payments by various government agencies. This will improve our liquidity and our cash flow immensely if implemented properly, it is a Central Government directive, so most of the Central Government agencies will implement them definitely, but at state level what is going to happen one has to wait and see, but at least definitely it is a step in the right direction.

Also, because of COVID they have permitted reduction in the performance guarantee up to 3% of the project value as compared to 10% and in some cases 5% uniformly up to December-2021 and now government has extended that for one more year, which means for the next 12 months the performance bank guarantee requirement will be only 3% of the project cost. These are all very good measures, as you know NCC is a frontline company well diversified order book having a foot fold in almost every sector of the construction business, we are nicely poised in terms of going to a higher orbit of growth as far as FY2023 is concerned.

As far as current year is concerned as you know the Indian economy is likely to grow by about 9% whereas, we are likely to report a topline growth of at least 25% to 30% which is very commendable despite phase-III of the COVID and also phase-II in the first quarter of the current financial year. Our thought process is, company is having a strong balance sheet, payment cycle has improved, bank guarantee limits are also available.

These are all big positives and also we have started bidding for bigger projects like the bullet train packages, each package is of the size of Rs.10000 Crores – Rs.15000 Crores in some cases even Rs.20000 Crores and for that kind of projects we require bank guarantee limits in good measure and if surety bonds are made available by insurance companies we will tap that source also if necessary and we are comfortably placed in terms of funding for our projects. Recently we have concluded joint documentation for a total limit of Rs.13200 Crores out of which about Rs.10000 Crores is the bank guarantee limits, about Rs.1000 Crores is the LC limits and the balance Rs.2200 Crores is the working capital limits given to us by our consortium of banks. So, we are on a higher orbit of growth, we are at a sweet spot in terms of taking the opportunities going forward.

I thought I will share with you in my opening remarks. Now, I request my colleague Mr. Krishna Rao, CFO of the company to tell you about the Q3 performance of the company. Over to Krishna Rao!

Krishna Rao:

Good evening to you all. To add some more opportunities opened up by the finance minister to the infra industry, Har Ghar Nal se Jal i.e., Rs.60000 Crores have been allocated to cover 3.8 Crores households in 22-23 and houses for all under PMAY, 80 lakh houses to be completed in FY23 with an allocation of Rs.48000 Crores. These are other opportunities to the company.

Now, I wish to briefly explain about the order book, order book at the beginning of the financial year is Rs.37928 Crores. Orders received during nine months is Rs.9638 Crores, works executed during nine months is Rs.7356 Crores, order book stands at the end of December Rs.40,210 Crores.

Now, I wish to give the numbers division wise, building division at the beginning of financial year stands at Rs.21,157 Crores represents 56% and the closing is Rs.24,510 i.e., 61%, road stands at Rs. 1,954 Crores i.e., 5%, closing at Rs. 1,099 Crores i.e., 3%, water and railways at the beginning it was 19%, closing is 20% with Rs. 8,052 Crores, electrical division is at 7% at the closing order book of Rs.2,676 Crores and Irrigation stands at 3%, Rs.1,296 Crores, mining division closing order book is Rs.2,335 Crores and all others together Rs.229 Crores totaling to Rs.40,210 Crores.

Now, I will take up the Q3 operating performance. We have achieved a revenue of Rs.2724 Crores compared to corresponding previous year quarter Rs.1943 Crores with a growth of 40% and gross profit we have achieved for the quarter Rs.463 Crores as against Rs.377 Crores in the corresponding quarter, EBITDA we have achieved Rs.293 Crores with a growth of 22%, PBT we have achieved Rs.130 Crores with a growth of 15% compared to corresponding previous year quarter, PAT of Rs.91 Crores, the PAT we have achieved Rs. 91 after providing Rs.20 Crores impairment of the investment in one of the international companies.

Now, I will take up the nine months performance, nine months revenue is Rs.6859 Crores as against Rs.4733 Crores with a growth of 45%, gross profit achieved Rs.1203 Crores in nine

months as against Rs.950 Crores, growth achieved is 27%, EBITDA is Rs.729 Crores as against Rs.565 Crores growth is 29%, PBT Rs.330 Crores with 75% growth, PAT for nine months Rs.247 Crores growth of 69% and there are certain peculiar specific nature and corresponding previous year two issues are there one is that the claims, claims we have accounted in the previous year to the tune of Rs.120 Crores and a tax credit of Rs.32 Crores we have taken based on the assessment for 2018-2019.

Now, the finance cost on standalone basis, there is an increase of Rs.10 Crores despite the growth of 40% compared to the previous corresponding quarter and there is a reduction in the interest cost, mobilization we have received Rs.200 Crores more during the quarter and mobilization advance interest is more by Rs.4 Crores compared to corresponding previous quarter and for meeting the increased business requirement for LCs and business BGs more by Rs.5 Crores this works out to total Rs.10 Crores, salaries and allowances is more compared to corresponding quarter by Rs.22 Crores these are primarily to increase in number of head counts number one and increase in the salaries on account of increments. Administration is a normal Rs.11 Crores increase for meeting business requirement.

I will take up the nine months the finance cost for nine months there is reduction by Rs.4 Crores, this is primarily lower interest on the loans despite more utilization of the working capital and interest on mobilization and bank charges is more by Rs.5 Crores. Rate of interest for nine months stands at 8.79% and on a consolidated basis the performance for the quarter is revenue Rs.3033 Crores with a growth of 41% compared to Rs.2151 Crores of the corresponding previous year and the gross profit we have achieved Rs.464 Crores, a growth of 13% and EBITDA Rs.276 Crores with a growth of 8% as against Rs. 256 Crores, PBT Rs.126 Crores growth 2% and PAT is Rs.76 Crores with a growth of 7%.

For nine months revenue achieved is Rs.7717 Crores, we have achieved a turnover growth 48% and gross profit Rs.1262 Crores as against Rs.1041 Crores, growth achieved is 21%, EBITDA Rs.754 Crores for nine months consolidated, growth of 23%, PBT Rs.352 Crores and we have achieved growth of 67% and PAT of Rs.240 Crores growth of 59%.

Only one exception in nine months is we have received additional area for the Jubilee Hills landmark whereby we have recognized income at Rs.34 Crores that only the exceptional during these nine months i.e., in Q2 of the current year. The subsidiary company and jointly company's-controlled companies' turnover vis-à-vis NCC International we have received arbitration award and based on that arbitration award we have reversed WIP to the tune of Rs.34 Crores and the loss achieved in that company is Rs.44 Crores, Urban Infrastructure turnover is Rs.89 Crores and the PAT of Rs.8 Crores. OB Infrastructure turnover of Rs.14 Crores and PAT of Rs.5 Crores and Pachhwara Coal Mining turnover of Rs.249 Crores a PAT of Rs.7 Crores.

After the elimination of consolidation adjustments, the total turnover stands at Rs.309 Crores with a loss of Rs.7 Crores as against the corresponding quarter turnover of Rs.208 Crores and PAT of Rs.8 Crores. Similarly, the performance for nine months of all these five companies

stands at NCC International reversal stands at turnover 31%, WIP reversal and the loss of Rs.50 Crores, NCC Urban Infrastructure Rs.268 Crores and PAT of Rs.22 Crores profit. OB Infrastructure Rs.43 Crores turnover and PAT profit of Rs.13 Crores, Pachhwara Coal Mining Rs.607 Crores turnover and PAT of Rs.18 Crores as a result, after eliminating the consolidation adjustment Rs.858 Crores turnover and the PAT of Rs.13 Crores as against the corresponding nine months turnover of Rs.491 Crores and the PAT of Rs.19 Crores.

Now, we may take up the receivables stands at Rs.2560 Crores. Debtor collection period stands at 104 days as against 134 days as of March 2021.

Now, the debt funds movement, debt at the beginning of the quarter as of October 1, 2021 is Rs.2102 Crores. We have taken machinery loans to the tune of Rs.12 Crores and the repaid working capital machinery loan from etc., to the tune of Rs.77 Crores, the net there is a reduction of the loan to the tune of Rs.66 Crores, as a result the debt position stands at end of December Rs.2036 Crores. For three months we were able to reduce the debt to Rs.66 Crores, for nine months for meeting the business requirement we have utilized more working capital i.e., working capital limit gone up by Rs.247 Crores. For consolidation again there is reduction of the debt by Rs.87 Crores during the quarter.

AP there is a positive sign we were able to collect Rs.126 Crores from April to till date and in particular Q4 we were able to realize Rs.35 Crores and the bank guarantees there is a reduction compared to April by Rs.151 Crores. These are all from my end and I request my colleague to take forward for Q&A session.

Moderator: Thank you very much Sir. We have a first question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir, Congratulations on a good quarter. My first question is on the on the total order book of Rs.40000 Crores how much is the Jal Jeevan mission project and what has been the total execution in the JJ projects from nine months and in the third quarter FY2022?

Krishna Rao: Total order from Jal Jeevan is Rs.9900 Crores and turnover achieved so far is Rs.851 Crores because of that submission of DPRs there was a delay. Now, the progress is at full swing we will be able to achieve good turnover Q4 and next year onwards.

Parikshit Kandpal: How much is the yearly turnover you are expecting to do from next year in this project Sir? What is the duration of this order book and how much we are budgeting to execute next year in FY2023 from this?

Krishna Rao: The budget exercise is yet to take place once we are able to complete probably, we will be able to give more numbers but around Rs.5000 Crores probably we may plan but not necessarily.

Parikshit Kandpal: For nine months we have done Rs.851 Crores from this order book of Rs.9900 Crores?

- Krishna Rao:** That is only in the last one month - one and half month because of that inordinate delay from the government side in finalization of the DPR.
- Parikshit Kandpal:** You are saying in the third quarter you have executed Rs.851 Crores of revenue from this order book of Rs.9900 Crores?
- Krishna Rao:** Yes.
- Parikshit Kandpal:** Now, that seems to be picking up so this is the kind of run rate we should be able to maintain that Rs.900 Crores which have achieved in the last quarter?
- Krishna Rao:** We expect.
- Parikshit Kandpal:** My second question is in the first quarter FY2022 call you have mentioned that about Rs.290 Crores worth of payment should come in from winding up of the international operations and we were expecting to realize 50% of that about Rs.150 Crores odd by December 2022, is there any update on have we received that amount or is there any update of winding up of international operations and what is the status of receivables and payments still from there?
- Durga Prasad:** Parikshit, we are fast end of completing minor variance order in Oman, so we will be completing it in this quarter, then completing defect liability period, settling the other claims, realisation of pending receivables and disposing off assets etc at project site will be taken up next financial year. So, whatever we estimated for current year will be carried out in FY2023, winding up activity completely and exiting international business takes place in FY2023, so we have to wait for some more period.
- Parikshit Kandpal:** Because one work on the real estate dues which we were expecting to release from the sale of the land has it come in and if you can quantify how much amount has come in and lastly if you can also talk about AP order book what is the current order book there and are the orders moving or they are still slow moving? These were last two questions.
- Durga Prasad:** As far as NCC Vizag Company is concerned, though the company envisaged some inflows during the current financial year, the same did not take place as the investor could not mobilize the resources in time so, there is slight delay. What we estimated for FY22 will be realized in FY2023 only. So, we will come back to with our plan during next call..
- Y D Murthy:** But there is a positive development in the sense that we have paid the revenue share to AP Housing Board as per the consultant's report and also we got the land registered in our name now it is freehold land 97.3 acres of land is in our name and the land value has gone up substantially in Vizag, the current market value of that property is not less than Rs.500 Crores to Rs.600 Crores. Now we are looking at how to monetize that. Maybe we look at bringing an investor into the company and take up development. One big development is the land has become freehold and it is registered in our name, and we are the legal owners of the property.

- Parikshit Kandpal:** What happens to the previous deal, are the deal still on or it is now over?
- Krishna Rao:** Deal is in abeyance that is why we are telling. We are discussing with other like-minded investors, but it will take some time. But the positive development is the land has become free hold.
- Parikshit Kandpal:** Sure Sir, and just from the AP order if you can comment how much is the order book and whether it is normally under execution or there are some delays in execution that if you can tell us?
- Krishna Rao:** AP order excluding new projects is only Rs.1155 Crores and considering the new projects the total order as at the end of December is Rs.4389 Crores.
- Parikshit Kandpal:** What is the revenue for nine months from AP orders book?
- Durgaprasad:** Nine months, we have executed about Rs.210 Crores. As you are aware AP TIDCO, Capital City projects etc., are slow moving, so we are more concentrating on funded projects like ADD, AIIB and as you are all aware state government is focusing more on welfare measures and COVID emergencies, still they are not focusing on capex spending and we expect AP also will start focusing on capex, releasing old bills etc in FY2023. However, as CFO told we have realized about Rs.126 Crores during nine months of FY2022, we are further confident of realizing our pending dues.
- Parikshit Kandpal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital Markets. Please go ahead.
- Shravan Shah:** Thank you. The first question, when we said that we have still guiding 25% - 30% for this year if I just do the math for fourth quarter it seems just it is flattish, is it so are some of the projects still not moving that is why or is it the minimum we can expect some growth in the fourth quarter and at the same time in terms of the margin, previously we were talking about 11% -11.25% for full year till nine months we have done only 10.7%, are we reducing margin guidance there?
- Y D Murthy:** As far as the topline is concerned, there was no guidance from the board, but we have indicated that we are looking at 25% topline growth in FY2022 i.e., to reach a level of about Rs.9200 Crores on standalone basis. Now we have already reached about Rs.6700 Crores on standalone and about Rs.7700 Crores on consolidated basis and the fourth quarter numbers should also be strong as compared to the Q3 numbers. So, definitely the standalone turnover for FY2022 will be in the region of Rs.9800 Crores to Rs.10000 Crores, which is definitely more than 30% growth on a standalone basis. As far as the margins are concerned as you know the commodity prices have gone up very high, we all suffered, many construction companies are also reporting lower EBITDA margins. We believe it is going to be a temporary in nature, in the first nine months of

the current year we reported EBITDA margin of 10.8% compared to more than 11% in the previous years. But going forward the commodity prices are going to soften and that will definitely help us to improve the EBITDA margin in the next year i.e., FY2023.

Shravan Shah: Sir, the next is related in terms of inflow, so previously we were looking at close to Rs.14000 Crores, we have received Rs.9600 Crores, are any L1 orders and what is likely still as you mentioned in terms of the budget more capex is given, so is it possible that still we can reach to Rs.14000 Crores kind of inflow number this year and I also need some of the balance sheet numbers in terms of the retention money, inventories payable loans, and advances, investments, so that is it from my side?

Y D Murthy: Definitely some more order accretion is expected in the current quarter that is fourth quarter though we have not got many substantial orders so far in the first month of the fourth quarter but some more orders are expected in this month and next month. We are confident we will be able to reach the targeted level of Rs.14000 Crores by the end of the current financial year.

Shravan Shah: The loans and advances is Rs.1190 Crores and the retention money is Rs.2024 Crores.

Krishna Rao: The total group company loans and advances and investments together stands at Rs. 1302 Crores.

Shravan Shah: Has the number gone up versus the last I can see only Rs.1270 Crores odd, so it has gone up Rs.100 Crores plus in the last one quarter?

Y.D. Murthy: We have given a loan of Rs.100 Crores to NCC Vizag Urban of our payments towards the revenue share to the government agencies that is why the loans and the advances to the group companies has gone up in the third quarter. But we believe it is temporary in nature. In fact we are actually expecting NCC Vizag Urban to repay the loan taken from the parent company in this quarter itself.

Shravan Shah: Sir, other numbers inventory payables and how much capex till now we have done, and we were looking at Rs.250 odd Crores for full year so, what is the number there?

Krishna Rao: The inventory is Rs.622 Crores and the capex is 45 Crores for the quarter, and it is Rs. 149 Crores for nine months period, the budget is about Rs.250 Crores.

Shravan Shah: And payable number Sir?

Krishna Rao: Trade payable is Rs. 3709 Crores, in that payment to suppliers is Rs.1239 Crores, sub-contractors Rs.774 Crores, payables for the expenses Rs.916 Crores, retention money payable is Rs.778 Crores, total is Rs. 3709 Crores.

Shravan Shah: And mobilization advance you said it would be around Rs. 1845 Crores?

- Krishna Rao:** Rs.1845 Crores, retention money is Rs.2080 Crores
- Shravan Shah:** Thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Thank you for the opportunity. My first question is again on the Vizag land sale, we just said that the revenue share was supported by us but the registration in our name as a freehold land was that money paid by us or by the investor and what will happen to that, because now if the deal is kept in abeyance, then what happens to that money Sir?
- Y.D. Murthy:** The unwinding of this whole transaction is likely to happen in this quarter.
- Ashish Shah:** From a cash flow perspective can one think that you get the money which you have paid for the registration and the revenue share and then the deal value as you had indicated probably it remains in that range Rs.300 Crores plus?
- Y.D. Murthy:** Absolutely.
- Ashish Shah:** So, basically, we are talking about Rs.300 Crores plus roughly Rs.200 something like Rs.500 Crores all in all as cash which will come back from December 31 onwards?
- Y.D. Murthy:** It is not Rs.200 Crores including registration it is about Rs.170 Crores and plus Rs.325 Crores that we were targeting earlier, so all that will come back to us maybe partly in this quarter and balance in the first quarter of the next financial year.
- Ashish Shah:** Sir, my next question is on the JJM we indicated a very good turnover of Rs.850 Crores in the quarter I see that obviously the debtor number has remained flattish on a quarter-on-quarter basis, so have we got paid for this revenue or how things have had, so basically have we got paid for this kind of steep turnover that we have done in JJM?
- Krishna Rao:** Collections have really gone up during Q3 and including that of the Telangana and AP also as a result we were able to reduce the debtors outstanding to 94 days from that of 134 days.
- Ashish Shah:** Sure, specifically for JJM if you can indicate whether we got partly or substantially paid for the revenue then or that is still to be paid?
- Krishna Rao:** Jal Jeevan Mission the realization is expected in Q4 partly and balance is going to be in 2022-2023.
- Y D Murthy:** Jal Jeevan is sponsored by the Central government. 50% of the project cost is borne by them. We have made it to take into a mission mode and they are implementing across the country, portable drinking water to every household in every state, in every village etc. So, payment cycle should

not be much of a problem as we were explaining in the beginning there was a delay in execution to take up mainly because they have got an elaborate process of those DPR preparation, DPR approval and giving mobilization advance district wise and allowing us to start the work in that particular district, almost eight–nine months’ time has been lost but now the pick-up is there, execution is there we are confident that even the payments will also be coming.

Ashish Shah: Anymore losses expected from the international with respect to this kind of loss that we saw for an arbitration order etc., is there any more that can come as we close the business?

Krishna Rao: No more loss is expected. Total operations are closed only the realization expecting back, in next three quarters we will be able to get back total operations are over.

Ashish Shah: You said you will be able to get back some means what is the amount that you are looking to get back sir?

Krishna Rao: Around Rs.110 Crores we have to back this quarter to Q3 we are expecting the same only the procedural aspects we need to check due care for which we have already applied to RBI.

Ashish Shah: Thank you.

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

Vibhor Singhal: Thank you for taking my question and congratulations on a great execution again. Sir, two questions from my side, one is that given that we do not expect the Vizag land being maybe closed this year and plus we have given around Rs.100 Crores to the Vizag subsidiary also. What do you expect the standalone debt to be at the end of the financial year? Right now we are at Rs.2000 Crores and earlier we had expected that we might end the year at Rs.1800 Crores, do you think Rs.1800 Crores is still possible another Rs.200 Crores of reduction in debt is possible in Q4?

Y.D. Murthy: That is what we are looking at and normally what happens is the payment cycle is improves in the fourth quarter particularly in the month of March because most of the government agencies their budget allocation for the year is coming to the close, they want to utilize that budget in full and we get very substantial payment particularly between March 15 to March 31. So, those flows are available to us or going to be available to us and that we passed in our loan accounts in the banks, despite Rs.2000 Crores of outstanding debt at this point in time i.e., at the end of the third quarter. We are confident for the year as a whole the standalone debt will be around Rs.1800 Crores only.

Vibhor Singhal: Got it Sir, heartening to hear that. Secondly, if I look at our numbers our consolidated PAT is at around Rs.84 Crores, if I remove the adjustment then we are looking at around Rs.105 Crores of PAT as a standalone level. Generally, we are not reporting much subsidiary losses over

standalone and consolidated PAT or profit around almost the same. So, any specific reason the Rs.20 Crore impairment that we have taken in the standalone leverage as attrition is that coming at above EBITDA level in these consolidated numbers?

Y.D. Murthy: Our international operations reported losses that, is one reason. In the third quarter about Rs.43.4 Crores of loss we have reported, NCC Urban has reported a profit of Rs.8 Crores and our NCC Infra also reported a loss of Rs.1.55 Crores. So, all these put together it has resulted in a loss of the subsidiary company's operations that is why the consolidated profit is less than the standalone profit.

Vibhor Singhal: You mentioned Rs.43 Crores of loss in the total subsidiary?

Y.D. Murthy: In Oman and Dubai put together in the third quarter.

Vibhor Singhal: In Oman and Dubai?

Y.D. Murthy: Yes.

Vibhor Singhal: As I think Ashish has asked any more losses we expect from these subsidiaries in the coming quarters or are we done with the losses that mentioned about?

Y.D. Murthy: As far as international business is concerned it is coming to a close and we are confident we have got enough machinery there, enough payments are coming from the government agencies like final bill settlement, retention money payment etc., so we are very confident of whatever money that we have invested in the both the international subsidiaries will come back to us in the next 12 months and we are not envisaging any further losses in the international business. But as far as the domestic business is concerned because some of the projected are long gestation projects they may report some losses for some time, though OB Infra has reported a profit this year in the third quarter they have reported about Rs.5 Crores of profit we hope that will continue. Pachhwara Coal is also doing well they have reported a profit of about Rs.7.3 Crores in the third quarter that is likely to continue. I do not think there is going to be any further loss in other businesses and more importantly NCC Urban also is consolidating its operations, they are likely to report good profits in the fourth quarter as well.

Vibhor Singhal: Lastly any view that you can provide on some of the large orders, that in bullet train you mentioned but most of the packages that we bid for we were not able to basically be declared as L1 and most of the orders actually went to L&T on similar front we are also looking at some these orders. So, what are the kind of orders that we looking at and a related question, recently Ganga Expressway project was announced on BOT basis given that we have done expressway work in the state of UP before, if we were given an opportunity or are we exploring the opportunity to work maybe as a subcontractor to Adani or the Adani Group or maybe some other group of that kind of project or that demonstrates no-no for us?

- Y.D. Murthy:** First of all, bullet train we are not successful I agree. We have got a good partner also with us, but recently we bagged a big order of about Rs.2167 Crores for Bengaluru Metro project connecting to the international airport, about three packages we are doing in Bengaluru. That kind of orders definitely are available, and we keep bidding, some we will win, some we may not win, we cannot say that. As far as BOT is concerned we are very careful as you know we are focusing more on cash contracts particularly the road projects like the Nagpur – Mumbai Expressway where our package is almost complete despite pandemic, despite stoppage of work at various locations we were able to complete the project in time and definitely we are also looking for a bonus, so those kind of projects we are interested in. Ganga Expressway I cannot comment on that because that is a BOT project, so we did not participate, because that is our corporate policy. But hybrid annuity price recently we started bidding only it is the matter of time before we get some projects.
- Vibhor Singhal:** Sir, on the Ganga Expressway my question was the bids have already been done on BOT basis by Adani group and IRV group?
- Y.D. Murthy:** I do not comment on that at this stage.
- Vibhor Singhal:** Thank you so much for taking my questions and wish you all the best.
- Moderator:** Thank you. We have next question from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.
- Rohit Natarajan:** Thank you for this opportunity. My first question is more to do with AP receivables portion. Can you give us receivable unbilled and retention money from AP state government?
- Durga Prasad:** Rohit, good evening. Unbilled revenue is Rs.368 Crores.
- Rohit Natarajan:** Inclusive of receivables and retention money?
- Durga Prasad:** Receivables Rs.412 Crores, retention money Rs.240 Crores.
- Rohit Natarajan:** Sir, if I am not mistaken this amount was little bit lower last quarter but there is no progress it seems, is it for the legacy orders or there are some ongoing projects to added to it?
- Durga Prasad:** These are all legacy orders only.
- Rohit Natarajan:** Okay, there is no progress essentially.
- Durga Prasad:** As I told these includes old orders which are funded by ADB, AIIB. Those funding agencies are releasing funds to AP government, the AP government has to give its margin and then they have to release the funds to clients. There are some delays from government side and we expect AP government to release all these dues in the current month or at the end of March. Last nine

months we have received about Rs.126 Crores from AP claims. We are continuously pursuing the matter with clients.

Rohit Natarajan: Sir, my next question is more to do with the kind of order backlog that you have because normalization is largely done, lot of projects are on stream if next year, I know there is no official guidance that must be coming through but still for the kind of the order backlog that we have and the run rate that we have Rs.12000 Crores to Rs.15000 Crores looks possible and if that is the kind of number execution if you have in mind what kind of working capital buffers are we looking at? Currently the working capital utilization limit last quarter we had nearly exhaustion of the working capital and now we are talking about increasing that working capital limits, what exactly is the position of it?

Y.D. Murthy: We are yet to finalize our business plans for FY2023 so it is difficult for me to give any numbers for the working capital and also for the turnover unless we work out an elaborate business plan based on the closing order book of the current financial year and expected orders in the next financial year etc., etc., we do it in a very systematic manner, present it to the board and based on that we will come to the investors in terms of topline growth and bottomline growth for next financial year. So, my request is you have to wait for some time but going by the general trend and going by the thrust being given by the government for development of physical infrastructure and the construction companies are definitely going to be benefited by this, it will not be surprising if you can report 15% to 20% topline growth compared to current financial year.

Rohit Natarajan: Fully appreciate that part Sir, if you could help me with the working capital utilization limits as of now that could probably be a good indicator to see what the growth you can do in next year?

Y.D. Murthy: Working capital we always keep a portion Rs.300 Crores to Rs.400 Crores in our cash-credit accounts where limits are set up by the banks that we use it as an emergency as and when required. Even now also for example we have got Rs.2200 Crores of working capital limits but actual utilization is only about Rs.1800 Crores that means there is a head room of about Rs.400 Crores available to us if required. So, that kind of question is likely to be there and also you have to keep in mind whenever I get a new order, I am getting about 10% as mobilization advance from the client that is also going to help me in terms of having enough liquidity for executing the project.

Rohit Natarajan: The non-fund-based limits historically you had close to Rs.9000 Crore or maybe Rs.8800 Crores odd and you had a good utilization over there as well like Rs.7000 Crores odd was utilized. What number is execution over there?

YD Murthy: I think you have missed my opening remarks. Now we have got Rs.10000 Crores of bank guarantee limits, Rs.1000 Crores of LC limits and Rs.2200 Crores of fund-based limits, the total size of the consortium is Rs.13200 Crores. As far as bank guarantees are concerned out of Rs.10000 Crores of limit available to us we are having a headroom of about Rs.2500 Crores to Rs.3000 Crores at this point in time.

- Rohit Natarajan:** Sure, I appreciate. Thank you.
- Moderator:** Thank you. We have the next question from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Thank you for taking my questions. Sorry to harp on this Vizag issue again. Just wanted to understand that their deal is in abeyance but does that mean you have to look for a new buyer or there could also be a situation wherein you could enter into a JD arrangement and then develop and then get the money in place the way we did, if for our Hyderabad that is where you entered into a JD and you would cater your share of the area over a period of time?
- Y.D. Murthy:** We are exploring all the possibilities; we prefer to have an investor who can buy us out that will be our first preference. But at this point in time as I was telling the possibility of the development being the land is registered in our name now NCC Vizag Urban planning to raise a loan of nearly Rs.200 Crores to Rs.250 Crores and if that money is received at NCC Vizag Urban level they will repay the debt taken from the parent company i.e., NCC. So, as far as NCC is concerned the exposure to group companies will come down to that extend and that most probably is likely to happen before the end of the current financial year.
- Prem Khurana:** Fair to assume there will be moratorium because NCC Urban do not have money to be able to pay interest at least for time?
- Y.D. Murthy:** I cannot tell you about that right now all those things we will work out, the lender will also look into the aspect and then only he will fund it, all that we will take care.
- Prem Khurana:** Okay, and in terms of AP exposure I mean the number that Durga Prasad Sir gave gross number there will be some mobilization done too also available with you, so what could that be?
- Krishna Rao:** That will be Rs.127 Crores.
- Prem Khurana:** Last quarter we were talking about APTIDCO and ADCL Capital agency had secured some approvals of borrowing limits Rs.6000 Crores odd and Rs.3000 Crores, have they been able to manage this fund raising and which is they are supposed to make it payments or is it still in progress?
- Durga Prasad :** They are discussing with various lenders and lenders also have taken information and processing the proposal from the government. They are evaluating the proposals and as far as APTIDCO and ADCL loan approvals are expected before March and once loans are tied up, all our dues will be cleared and we can complete our work also.
- Prem Khurana:** Sure, could you please with the cash and bank balance number as of December 31, please and that is it from my side. Thank you?

- Krishna Rao:** The cash and bank balance Rs.537.5 Crores including margin money for bank guarantees.
- Prem Khurana:** Sure, thank you. That is, it from end.
- Moderator:** Thank you. We take the last question from Parvez Akhtar Qazi. Please go ahead.
- Parvez Akhtar Qazi:** Good afternoon, Sir, just one question from my side. What is impairment that booked this quarter and that was in which subsidiary?
- Krishna Rao:** It is Rs.20 Crores towards NCC International Oman upon receipt of arbitration award that where we have concluded, and impairment has been taken care.
- Parvez Akhtar Qazi:** Sure Sir, thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now like to hand the conference over to Mr. Mohit Kumar from DAM Capital for closing comments. Over to you, Sir!
- Mohit Kumar:** Thank you everyone for participating in. Thanks to the management for giving us the opportunity. Would you like to give a closing remark before we close the call?
- Y D Murthy:** We thank DAM Capital and Mohit and his team for hosting this conference call and we also thank all the participants for their enthusiastic participation and lot of questioning. If any participant is not able to have a chance to ask the question, we request him to contact us, either Mr. Durga Prasad or myself or you can send a mail to us we will be glad to answer your questions. With this I will close the call and I thank everybody once again. Thank you, Mr. Bikram, and thank you Mr. Mohit.
- Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining with us and you may now disconnect your lines.