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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 virtually on February 9, 2023 with analysts discussing the performance & financial results of Q3 of the F.Y. 2022-23. The transcript is also available on the Company's website at <https://ncclimited.com/analyst-column.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Please note that no unpublished price sensitive information was shared/discussed in the earnings call.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

(Formerly Nagarjuna Construction company Limited)

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“NCC Limited
Q3 FY '23 Earnings Conference Call”
February 09, 2023



MANAGEMENT: **MR. R.S. RAJU – DIRECTOR PROJECTS – NCC LIMITED**
MR. P.V. VIJAY KUMAR – VICE PRESIDENT FINANCE – NCC LIMITED
MR. NEERAD SHARMA – HEAD STRATEGY AND INVESTOR RELATIONS – NCC LIMITED
MR. K. DURGA PRASAD - GENERAL MANAGER FINANCE – NCC LIMITED
MR. S.M. RAJU – DEPUTY GENERAL MANAGER, FINANCE AND ACCOUNTS – NCC LIMITED
MR. P. SURENDER RAO – ASSISTANT GENERAL MANAGER FINANCE – NCC LIMITED

MODERATOR: **MR. ASHISH SHAH – CENTRUM BROKING**

Moderator: Ladies and gentlemen, good day and welcome to the NCC Limited, Q3 FY '23 Results and Future Outlook Discussion, hosted by Centrum Broking 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashish Shah from Centrum Broking. Thank you. Over to you sir.

Ashish Shah: Yes. Thank you, Darwin. On behalf of Centrum Broking, I welcome everybody to the NCC Limited to Q3 FY '23 results conference call. Today we have from the management, Shri. R. S. Raju, Director, Projects, Shri. A. Vishnu Varma, Director, Projects, Shri. P. V. Vijay Kumar, Vice President, Finance, Shri. Neerad Sharma, Head, Strategy & Investor Relations, Shri. M. Srinivasa Rao, Chief General Manager, Finance and Accounts, Shri. K. Durga Prasad, General Manager, Finance, Shri. SMVSR Raju, Deputy General Manager, Finance and Accounts, and Shri. P. Surender Rao, Assistant General Manager, Finance.

So I'll hand it over to the management for the opening remarks and after, which we'll have a Q&A session, over to you sir. Thank you.

P.V. Vijay Kumar: Good morning everyone. This is Vijay Kumar, Vice President, Finance. I welcome everyone to the NCC Q3 FY 2023 earnings investor call. I thank each one of you for taking time to attend this. Before we start, I'll read out disclaimer 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 are 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 Q3 into account. I'll briefly start with opening remarks followed by Q&A. I have my colleagues Mr. Subba Raju, Director; Mr. Neerad, Head, Strategy & Investor Relations, Mr. Durga Prasad, GM, Finance, SMVSR Raju, DGM, Finance and Accounts, and Mr. Surender Rao, AGM, Finance present in the call, who will take your questions. Considering time limitation, we request the audience to limit to one or two questions, so that everyone gets an opportunity within the given limited time.

Let us start now. I think I'll start with the opening remarks. We are in a peculiar situation in the economic history now. The periods in the economies are like we are seeing them now after several years or decades of gap in their own way they are structured. It all started with the pandemic induced contraction of the global output followed by the Russian-Ukrainian conflict leading to a worldwide surge in inflation.

The central banks across economies led by the Federal Reserve responded by a synchronized policy rate hike to curb inflation. The rate hike by the US Federal drove capital into the US

market causing the US dollar to appreciate against most currencies. This led to the widening current account deficit and increased inflation pressures on the net importing economies like us. The rate hike and persistent inflation has led to the lowering of global growth forecasts for 2022 and 2023 by the IMF in its October 2002 update of World Economic Outlook.

Added to these problems of Chinese economy further contributed to weakening of the growth forecast with inflation persisting in advanced economies and the Central Bank's hinting at further rate hikes, downside risks to the global economic outlook appear elevated. However, despite all these issues, agencies worldwide continue to project India as the fastest growing in major economy at 6.5% to 7% in FY 2023. So this optimistic growth forecast stem in part from the resilience of the Indian economy seen in the rebound of private consumption seamlessly replacing the export stimuli as the leading driven growth. The uptick in private consumption has also given a boost in production activity resulting in an increase in capacity utilization across sectors.

Internally, almost all economies are showing certain pain points in a major or minor way in a peculiar situation arising after COVID, coupled with global tensions causing supply chain disruptions. During these peculiar troubled times, India has shown its resilience in bouncing back. If you observe, main drivers of Indian economy is top by infrastructure construction spending, followed by consumer spending, which is since picking up thanks to the cost-cutting effect of government spending and include capex program across the states.

Total investment infrastructure is planned to be around like 4.5%, 4.7% of GDP. So this is very well for the industry as a whole. In 2022-'23, the states also have budgeted an increase in capital outlay by 38%. So as per RBI report, Union Budget 2023 capital investment has also increased by 33% to INR 10 lack crores. So this is pertinent to note that at this level of spending, our nominal GDP will be at the rate of 10.2% growth. And companies like NCC, which are into multi-fold operations like buildings, water, electricity, road, mining and all, they are so well positioned to capture all the opportunities that are happening in the various segments of infrastructure in India.

So NCC will be the book size of INR 41,862 crores of order book of all these segments remain as one of the spearheading companies in construction segment. I am coming to my last part of briefing. We remain bullish over economy considering infrastructure spend driven growth. The Indian economy will grow at average nominal growth in double digits from 2022-2030. The high investment rate which matches some of the peaks of earlier years continue to be supported by capex of central government.

I now pass on this to my colleague Mr. Subba Raju, Director, to bring out salient features of our financial performance to you. As I said, please consider a chance to address to and choose and limit your questions without repetitions.

Subba Raju:

Thank you Mr. Vijay Kumar. Good morning to all of you. First I take to you, first, order books, thereafter consol Company Performance and thereafter, Standalone Performance and thereafter

I briefly touch about the Balance Sheet items, but I restrict to the some of important points and thereafter if anything you people require through question answers we clarify those items.

So if we come to the Order Book In the current quarter, the company secured about INR 5033 crores and further in January month also the company secured INR 1754 crores. So the total orders for the nine months period we take about INR 12,612 crores. So if you take up to January '23, the total orders so far secured by the company INR 14,367 crores. So we have about L1 orders INR 3,000 crores as on date. So we show that in the current nine month period the order booking is relatively better than the previous years.

Now the order book with all these stands at INR 41,862 crores. So if we come to the performance of the company, on a consol level has reported a turnover of INR 3,904 crores against INR 3,033 crores increase of 29%. In the earlier quarters you might have observed about the growth is about 40% is there and now the growth for the third quarter reported as 29%. The gross profit margins in terms of absolute terms increased from INR 464 crores to INR 626 crores a growth of 35% in terms of gross profit margin percentage it has come down from 16.27% to 15.38% further the reasons already we explained in the first two quarters because of the material input prices compared to the previous year there is an increase happened, but softening is happening from the second quarter onwards, but compared to the previous year nine months, still the prices the commodity input prices are still higher than the prices what prevailed in the first nine months of the previous year as a result the margins impact is there.

Now comes to the EBITDA, increased from INR 276 crores to INR 376 crores, but in terms of percentage there is also increase in the EBITDA from 9.11% to 9.64%, a 0.53% increase happened at EBITDA. Coming back to the PAT, there is a significant improvement happened in the PAT level about more than 100% jump from INR 76.42 crores to INR 157.70 crores. In terms of percentage, the net profit is increased from 2.52% to 4.04%. And comes to the EPS, also there is almost a double increase happened from 1.3x to 2.5x.

This is about the Q3. on a year-on-year basis and slightly I mentioned about the quarter-on-quarter, if you take the quarter-on-quarter there is an increase in the revenue by 15% from INR 3,405 crores to INR 3,904 crores and gross profit also increased from INR 518 crores to INR 626 crores, a 21% increase. And EBITDA also increased from INR 310 crores to INR 376 crores and in terms of percentage from 9.11% to 9.64%. PAT increased from INR 131 crores to INR 157.70 crores about 20% growth. In terms of percentage from 3.8% to 4%. So this is about the third quarter performance relating to the year-on-year and quarter-on-quarter.

Now coming back to the nine months comparison, performance of the nine months performance comparing with the same corresponding period of the previous year. The revenue increased from INR 7,017 crores to INR 10,660 crores, about 38% growth. And gross profit increased from INR 1,260 crores to INR 1,645 crores, 30% growth, but the gross profit declined from 16.47% to 15.66% the same reasons what I explained just now. EBITDA increased from INR 754 crores to INR 994 crores. EBITDA percentage there is a decline from 9.84% to 9.43%. So nine months

are concerned, but third quarter concern some increase happened. PAT increased from INR 240 crores to INR 418 crores about 74% increase in the nine months operations. In terms of percentage it is increased from 3.12% to 3.9%. EPS also increased from INR 3.9 to INR 6.7.

So this is the console company performance and within the console company there are two to three group companies are there and standalone and before going to the standalone, I will touch briefly about the other companies performance. Now all group companies together reported a turnover of INR 534 crores against INR 309 crores an 88% jump in the group companies turnover also. And the PAT reported is INR 8.04 crores against a loss of INR 14.55 crores in the corresponding quarter of the previous year, in which there are two companies primarily reporting the turnover.

One is, the MDO coal mining project, a subsidiary company called as Pachhwara Coal Mining Private Limited, which reported a turnover of INR 468 Crores in this quarter against INR 249 Crores of the corresponding quarter of the previous year. NCC Urban reported INR 66 Crores against INR 89 Crores. There is a decline happened in the turnover for Urban in this quarter. OB Infra, of course it is an annuity payment more or less similar for all the quarters INR 14.31 crores now against INR 13.75 crores Similarly the PAT of these group companies PCM PL reported INR 13.86 crores against INR 7.3 crores of the last year NCC urban reported INR 9.8 crores against INR 8 crores and OB Infra reported 3.16 crores against 5.32 crores

This is about the group primarily these three companies in terms of turnover and the profit. Now we coming back to our standalone. The first one is, third quarter performance. In third quarter the revenue of standalone increased from INR 2,724 crores to INR 3,370 crores, an increase of 24% and gross profit an increase of 28% from INR 463 crores to INR 587 crores.. Gross profit also increase happened from 17.13% to 17.73%. So the EBITDA increase happened from INR 293 crores to INR 349 crores, a growth of 19%. In terms of percentage, decline is happened EBITDA from 10.93% to 10.53% PAT increased from INR 91 crores to INR 150 crores a 65% growth in the PAT. So in terms of percentage it is increased from 3.34% to 4.45% and EPS from INR 1.49 to INR 2.41. So this is about the performance of third quarter.

In the third quarter, all the costs already about direct cost I explained in terms of gross profit margin. Only the two elements which are interesting to note here is about interest cost. In this quarter the interest cost reported INR 137 crores against INR 116 crores for the corresponding quarter of the year. For this the reason is primarily increase in the debt level that is one and the other one is the increase in borrowing cost. it is a it has a little impact on borrowing cost as you know that like this is happening in the borrowing cost for all the companies. But in terms of percentage, it is declined from 4.27% to 4.1% because of increase in the volume of the operations. In administrative cost also this time we have seen some steep increase happen. It is because of the some donations given by the company.

Now employee cost in terms of percentage has slightly has come down in terms of percentage. Of course in terms of absolute always when the activity is going on the headcount and other things, but as far as operating, [inaudible 0:18:30] have declined compared to the previous year.

Now quarter-on-quarter, this immediate quarter comparison, the revenue increased from INR 3,037 crores to INR 3,370 crores from the second quarter to third quarter,. The gross profit margins increased from INR 463 crores to INR 575 crores, about 24% increase. Gross profit margin increased from 16.09% to 17.73%. EBITDA increased from INR 293 crores to INR 349 crores, about 19% growth from the immediate previous quarter.

EBITDA in terms of percentage also there is an increase from 9.61% to 10.53% and increases from INR 122 crores of the previous quarter to INR 150 crores in the third quarter, about 23% increase. So in terms of percentage increase happens from 4.01% to 4.45%. This is about the three months performance and nine months, just I'll touch nine months performance. in a broader line. The revenue increased from INR 6,859 crores to INR 9,396 crores about 37% growth. Similarly in the gross profit a 28% increase has happened, in EBITDA 26% increase has happened and in the PAT 59% increase happened. EPS rose to INR 6.3 from INR 4.05. So that is the nine months performance and the important the balance sheet items come to the debt.

So in this third quarter, the debt has come down from INR 1,985 crores to INR 1,946 crores a decline of INR 39 crores. So you observe that in the last two quarters there is a steep increase what's happened in the debt. For that one there is a good reason. There is a big jump is happening in the activities. Earlier it was a INR 10,000 crores company in the previous year, but now a 30% growth is anticipated and 40% increase in the volume of the activities increased in the first two quarters as a result the resources like working capital also increased, but not in the proportionate level.

So as a result the debt level increased in the first two quarters, but in the third quarter, decline started. Decline happened about INR 39 crores. And going forward, we expect that the debt further decline in the fourth quarter by about INR 200 crores to INR 300 crores. It must have INR 1,600 crores to INR 1,700 crores by March '23.

In group companies also, there is no debt. Almost all the companies have become debt-free. So bearing INR 5 crores debt is there in the NCC Urban Company. So the same level what we earned this time over the same level is in the group company's debt.

And coming to the capex and in the first two quarters also you have seen there is a significant increase in the capex. It indicates how the activity is increasing in the company. On par with the increase in the activity, the capex is also increasing. In this third quarter also the company spend INR 95 crores for the capex together for the nine months period the capex was INR 243 crores so in Q4 the expected capex would be around INR 30 crores to INR 40 crores it may not be the same level so it may be around INR 30 crores to INR 40 crores.

So the investment properties one item is the balance sheet has come down from INR 263 crores to INR 230 crores about INR 33 crores decline in the nine months, but in third quarters a decline is happened by about INR 16 crores.

So come to the trade receivables so come down from INR 2,792 crores to INR 2,675 crores by INR 117 crores despite the increase in the volume despite the increase in the revenues for turnover, but the trade rates which still stands on almost the same level without any increase. It indicates how the collections of the company in this quarter as well as in the first two quarters The debt collection period has come down from 97 to 91 days in nine months.

Investments. There is no change in investments in the nine months period or the third quarter. But come to the loans, the loan figure has come down from INR 401 crores to INR 391 crores in the nine months period. In some of the small companies have repaid the loans like NCC Urban and NCC International Services Omen, in little. But the major part we are supposed to get is from the NCC Vizag Urban that is first we are supposed to get the sale consideration and what we are supposed to get the sale consideration in December quarter, we have not received that one, December quarter. That's the defer by another one or two months so that we expect to receive in this quarter, what our trends are supposed to get by December '22.

Now, come to the other income and you might have seen there is an increase happening in the other income. The increase primarily on account of the sale of one land property happened in the third quarter. It represents about INR 18 crores and also same time sale of these flats, the already developed properties are there with NCC. So that represents about INR 11 crores, together INR 29 crores is the part of the other income. The interest income is about INR 17 crores and also dividend income of INR 6 crores and the miscellaneous income is INR 5.4 crores, altogether about INR 57 crores what we refer to as the third quarter. So the major element is profit on sale of the land and as well as the other flats.

Coming to the AP projects, the amount collected in Q3 from AP clients and capital city project is about 122 crores.. The total current year assets come down of AP projects, now that some projects which are moving slowly and some projects particularly the Capital City projects there is no movement. But all projects together in the current nine months period, so I am in the subject AP projects. So in the AP projects some improvement happened in the collections in the nine months period of the current area.

As a result, the outstanding current assets including the trade receivables, work-in-progress and other monies have come down. And in the nine months period, about INR 325 crores amount we have realised . As a result, the amount has come down by INR 325 crores. So there are two parts. One is running projects and another one is struct projects. The running projects, about INR 170 crores or so, collections have happened from that of March '22 and in the stuck projects, the amount outstanding, the net amount outstanding has come down from INR 165 crores to INR 164 crores after adjusting the mobilization advance.

So you are more to other aspects like material cost, working capital, other things as and when you people ask the questions we will clarify. So with this our remarks end and you can start about your questions and to answer by a team of people are available here and they answer the appropriate things to the questions.

Moderator: The first question is from the line of Mohit Kumar from DAM Capital.

Mohit Kumar; Congratulations on a good set of numbers. My first question is on the improvement in the margins to happen Q-o-Q. Do you think this can sustain over next two years -- for the next quarter and the FY '24 given the decline in commodity prices? That's the first question.

The second question is on the revenue guidance. I think we're given 30% growth outlook for FY '23. Do we maintain that?

Subba Raju: So your question is about the margins and another one is about the revenue guidance. The second one, first I will answer about the revenues. So whatever we know, we indicated in the previous calls also 30% to our internal. So 30% is maintainable and it is achievable by the year end, 30% growth.

As far as margins are concerned, there is a decline happening in the first quarter and also in the fourth quarter of the last year. But now there is steady increase happening in the margins. It is along with the softening of the metal commodity prices happening in the market. So in the fourth quarter also we expect another 10 to 20 base points improvement in the margins.

Mohit Kumar: The bigger question is can you go back to our 11% margin, which you used to do earlier?

Subba Raju: Yes, but the thing is, the outside market, how the market moves. But certain commodities moving in one direction, certain commodities are moving in other direction. That is one. And number two is there is also a competition in the market. Now the company taken a stand that to report more volumes. So when you want more volumes and you want more growth, 20% to 30% growth, naturally we have to compete. We have to get at a competitive price to the tenders. As a result, certainly 0.5% to 1% margin sacrifice would be there at the time of tendering. So all these things are important. But at PAT level, ultimately gross margin if there is a decline, but PAT level, the company is targeting to maintain 5%-plus. That is the thing.

Mohit Kumar: So one more question. How much you mined in Q3 in Pachhwara? And how do you expect it to ramp-up over next few quarters?

Subba Raju; Yes, Pachhwara is doing well. In fourth quarter also it ramp-up and it reports more than what it reported in third quarter. And going forward also it has good prospect to report more and more turnover. Here it is the Pachhwara coal mining, the rated capacity is 15 million tons a year. It is already touching, now touching in this month and in next year it is supposed to produce 15 million tons. So once 15 million tons reached, there after the turnout in a steady manner, except any escalation and other things. So in the next year, the company reports the rated capacity 15

million tons. It has geared up to produce coal to such an extent only from the client's side. The client also provides everything, then the company has no problem to produce 50 million tons of coal every year.

- Moderator:** The next question is from the line of Shravan Shah from Dolat Capital.
- Shravan Shah:** Sir, before asking the question, a humble request, if you can reduce the time for your opening remarks and allow more questions from the participants. It would be a great, that's a simple humble request. My question is in terms of the order inflow, you mentioned that we are L1 in INR 3000 crores. So if I add that then INR 17,400 crores order inflow is there. So how much more we can look at in this quarter and what about the next year? Can the similar kind of performance INR 15,000 crores, INR 18,000 crores inflow is possible? So because of that, the related thing is that in terms of the revenue growth, definitely this year we will be looking at 30%. So next year, similar 15% growth on the top line front is possible?
- Subba Raju:** Yes, now for the current year, as you said, 17,000-plus including the L1 are there. And there are good possibilities to reach 20,000 crores also by March '23. As far as [inaudible 0:33:36] is concerned, as the company has its own strategic plans to increase the turnover year-on-year for which definitely the order book also increases, because the company has plans and it is expanding and also entering into new verticals. So next years also the similar level or a little bit more than the similar level also is possible.
- Shravan Shah:** Second is a couple of data points I need sir, on the balance sheet side. So what is the gross date, inventory number, debtor's number, cash balance payable, mobilization advance, unbilled revenue, retention money, and the group exposure?
- Management:** Too many numbers.
- Subba Raju:** That is why he asked us to reduce the opening time. Thank you for your suggestion. And some of the numbers we read out. And the pay receivables already explained, INR 2,675 crores. Unbilled revenue, INR 3,486 crores, retention money INR 1,900 crores, the debt already we indicated INR 1,945 crores, what are the other numbers you want?
- Shravan Shah:** Cash balance, payable number, mobilization advance?
- Subba Raju:** Cash balance, INR 131 crores. Margin money deposits, INR 540 crores..
- Shravan Shah:** Sir, mobilization advance last quarter, it was INR 2,006 crores. So what's the number this time?
- Subba Raju:** INR 2,081.
- Shravan Shah:** INR 2,081. Trade payables, sir?
- Subba Raju:** INR 4618 Cr.

- Shravan Shah:** And the group exposure in terms of the loans, you said INR 391 crores. So investment is how much, or you can give the total exposure in terms of the investment?
- Subba Raju:** Whatever we have the same number, INR 895 crores, investments.
- Shravan Shah:** INR 895 crores. And the last one is in terms of the order book of the -- existing order book, INR 41,862, how much is the subsidiary mining order that is the Pachhwarra mining. So I just wanted a standalone order book number?
- Subba Raju:** INR 2,000 crores.
- Moderator:** We have the next question from the line of Ash Shah from Elara Capital.
- Ash Shah:** First of all, congratulations for great set of numbers. So first of can you just give me the revenue breakup from different segments for this quarter?
- Subba Raju:** Yes, you can consider these figures. Revenue for this nine month period...
- Ash Shah:** Yes.
- Subba Raju:** The buildings, INR 3,942 crores. Transportation, INR 1,565 crores. And here we reclassified the earlier segments or divisions. We made the buildings and the roads into buildings and transportation. As a result, all the works of these flyovers and metros, we have classified from the buildings into the transportation. To this extent, some difference would be there from that of the earlier numbers and current nine months numbers. And come to the water and railways, the revenue is INR 2,257 crores, electrical INR 787 crores, irrigation INR 248 crores, mining INR 1,243 crores, others INR 62 crores, international INR 7 crores, Total into INR 10,102 crores. This is the revenues for the nine months period.
- Ash Shah:** And one more question was on the Bangalore Metro site. There were news reports that there was a mishap that happened. Can you just provide some colour or if there is any inquiry or if there is any stoppage of work on that front?
- Neerad Sharma:** Good morning, this is Neerad. First of all, this is a very unfortunate incident. This includes loss of life. This is a very, very unfortunate incident. We understand that our client has already appointed a couple of experts to study, analyze and come out with the possible lab tests. So as we speak, we are deeply engaged with the client and as and when we receive any more information on this subject we would be happy to share with you.
- Ash Shah:** So is the work still on or has it been stopped right now?
- Neerad Sharma:** Currently, I think nothing is going on, but they are taking a view they possibly want to change a couple of design points. So it will take some time, but we have no reason to believe that it won't move forward, but it will take some more time.

- Ash Shah:** And how much will it contribute to our existing order book, if you could just provide a brief number or something?
- Neerad Sharma:** See, the total order book for these three packages are INR 2,167 crores. There are three packages in Bangalore Metro.
- Moderator:** The next question is from the line of Vasudev from Nuvama.
- Vasudev:** Just two data-related points, what is the execution that we did in nine months, including the international orders? And if you can give the order book split segment wise?
- Subba Raju:** No. Already we given...
- Neerad Sharma:** Just now the figures have been given.
- Subba Raju:** Nine months revenue figures we're given. If you want beyond that anything, you please ask us.
- Vasudev:** So if you can give order book split based on different segments?
- Subba Raju:** Okay. Segment-wise, and figure as of 31, March '22. INR 41,862 crores, we will give this. The buildings, INR 20,089 crores, transportation, INR 4,518 crores, water and railways, INR 8,814 crores, electrical INR 3,429 crores, irrigation, INR 1,773 crores, mining INR 3,003 crores, others INR 229 crores, internationals INR 7 crores, totaling to INR 41,862.
- Vasudev:** And sir, what is the status of our Jal Jeevan Mission project?
- Subba Raju:** What is the?
- Management:** Jal Jeevan Mission Project, JJMP.
- Subba Raju:** About 25% of the execution happened for the water projects we received and gradually increasing quarter-on-quarter the execution. In fourth quarter also, we expect about INR 800 crores or so, by this year-end about 35% to 40% of the value of the orders will be completed.
- Moderator:** The next question is from the line of Prem Khurana from Anand Rathi Shares.
- Prem Khurana:** Congratulations on very good set of numbers. So my question was with respect to the Vizag land sale. I think we were supposed to receive our payments, but we gave them an extension last quarter, and since then we've given them an extension one more time. So the agreement that we have with the buyer, does it have any end date in terms of beyond which you won't give them any extension? Because I think we were supposed We also received some money in September and there was some due in December, but in September we did not receive any money and in December again, I mean you said they have sought extension for another two-odd months and the transaction does not carry any risk because we have already received some payment of INR 50 crores for the response receipt?

- Subba Raju:** Yes, now in the initial first five, six months or ten months, this is a business This is a big land pocket and after they take out that one and they carried out the due diligence process and whatever the shortfalls are there, those shortfalls also from outside are taken time to complete those things. As a result, some delay is happening to take, to carry out the real estate process, what they envisaged. As a result, some delay is happening for which along with them, some part of that is also happening from outside. As a result, they requested us to defer the payment. So we defer the payment. Now, it's supposed to come by December 31, but it has not come. Now in this month, February month, they issued to pay that amount. And by March quarter, another stage we expect to get. And for this, where our delay is happening, on the delay amount they agreed to pay the interest.
- Prem Khurana:** Even on the equity part or only on the loan?
- Subba Raju:** Interest also. First the equity part I explained. Once equity part is cleared, then they go to the loan part. The loan part linked with the project performance. So the moment they start sales, out of the sales amount, 70% to 80% amount they put into the escrow account to clear our loan. There is a mechanism originally in the agreed talks.
- Prem Khurana:** And on Andhra exposure, is it possible to share the amount of the total exposure in terms of order backlog and how would the split be between let's say capital, the projects that are still not moving for us and the orders which are going good for us now and we are realizing payments on a regular basis. That will be all from my side. Thank you.
- Subba Raju:** The book of the Andhra now stands at INR 5,000 crores. Earlier about INR 18,000 crores or so is there now gradually has come down and we are sticking to that level only and we are not taking only bearing this funded projects if any funded project, particular set of government funding is there only selectively one or two projects we have taken and the projects whatever earlier taken which are under execution including the APTIDCO projects. So at bearing this Capital City projects, as per the projects are going but not at the speed which is supposed to go but at a little slower path the projects are going. So at this moment roughly about INR 5,000 crores.
- Prem Khurana:** How much would be Capital City in this INR 5,000-odd crores?
- Subba Raju:** In the Capital City, now, there are no virtually, there are no, we have removed those orders, Capital City orders from the order book. Earlier, that INR 18,000-odd crores are there. So understanding this scenario, the new government, we have removed those Capital City project orders. Only one order is there that is MLA, MLC quarters that we earlier we submitted 88%. Now they asked us to complete. That order is about some INR 50 crores to INR 100 crores will be there. That we are executing and they are also releasing the payments.
- Prem Khurana:** So just one last if I may please. I think there was this announcement by the Chief Minister of the state Andhra, where they have decided on the Capital City now. I mean Vizag is the capital city. So how would that impact the pace of execution of the existing order backlog? Because now

they will be focused on Vizag right? I mean if it is as we have decided that we will go with Vizag, so how will they change the execution for us on this INR 5,000 crores number?

Subba Raju: Now that was their changing of Capital City for the last two years. But Capital City at this moment we don't have any order related to Capital City in our order book. So Neerad Sharma also explained about or the AP what you are asking?

Neerad Sharma: See these two incidents are not related, this shifting of new capital to Vizag was an announcement that was made in the past. The projects that we are doing in the AP are not related to Capital City projects. In the past we have removed these projects from our order book. So as we speak the orders that we are executing there, are all moving orders, maybe at a slower pace. But it has nothing to do with the Capital City project that we had taken a couple of years back.

Moderator: The next question is from the line of Nikhil Abhyankar from DAM Capital.

Nikhil Abhyankar: Congrats on the good set of numbers. So can you give us any status on the Sembcorp arbitration?

Subba Raju: Yes. Last time also we told that, now the final round of the arbitration, now they scheduled in February month. So in February month, the final round of hearings will be completed and we expect the final outcome by May or June.

Nikhil Abhyankar: May or June next year. And the process that we are expecting are somewhere around INR 600 crores, INR 700 crores?

Subba Raju: That too depends upon the outcome. We have the positive feeling on that one, since we have the good grounds, we have some good merit points.

Nikhil Abhyankar: So then, have you started the execution at Malad Sewage Treatment Plant?

Subba Raju: Yes, started. All the mobilization works and other planning, design, form all these procedures, license approvals, all the works are going on. Physical work may take another one month or so.

Neerad Sharma: There is lot of design and engineering involved in the project of this complexity. So currently the project is in that stage. Once that hurdle is crossed then the question comes of really starting the construction. That will take couple of months time.

Nikhil Abhyankar: And just a final question, sir. Of the 150-odd billion order inflows that we have received, around 95 billion has been from the water segment. So do you see the trend continuing this year and as well as the next year given that the JJM capital outlay has remained the same for next year?

Neerad Sharma: You are talking about the Jal Jeevan Mission, right? So, currently we see very healthy order pipeline in J. J. Mission. There are a lot of projects who have identified villages, they are doing the preparatory work required and the order pipeline is very healthy. But as you are aware we have already very good exposure to JJM. So we look at the projects carefully where these

projects are coming, how is client really and to roll those projects out and accordingly we decide to bid. But the order pipeline continues to be very healthy.

Nikhil Abhyankar: Just a final question sir, I am based out on the inventory, the quantum of inventory as of December '22, can you just give that?

Subba Raju: INR 916 crores.

Moderator: The next question is from the line of Ashish Shah from Centrum Broking.

Ashish Shah: Sir, first question is on the donation part which you mentioned. Could you quantify how much was that amount in the third quarter and what was the nature of this donation?

Subba Raju: Those things, okay, those details, so I can't say. The amount is about to total several millions is there, maybe around INR 32 crores to INR 40 crores.

Ashish Shah: Secondly, there is also a note which mentions the survey operations of the income tax in the last quarter. So, any update that you would like to share on what has been the further development on that aspect?

Subba Raju: As now they come in the month of November '22, so now there is so many irregularities so happen in the market to the new GST Act comes. So in the GST certain irregularities have happened and certain vendors have done some game play with the GST. As a result to the suppliers we have standard services and supplies. Down the level, so many small, small supplies are there and based on the last two years, certain irregularities taken place at our vendors and so as a result of the DGCA, the GST Department also conducted a survey of this information and we have provided information and other things.

But here is the thing to be noted here is, as per the GST Act provisions, if the vendors fail to comply with the GST provisions, if they fail to discharge their GST liability, ultimately the recipient is also responsible to pay the GST liability. As a result, I am the end user, so the Department has come to us, whatever input as credit they are mentioning their bills, since they have not discharged their GST, so don't take that input as credit into your books of accounts, you are not eligible to use that input as credit. Like that, the GST Department has indicated us. So after thorough service study and collecting information from the vendors and other things, as a result of these GST irregularities happened at various subcontractors and vendors.

Now NCC posted to revert the input as credit saying that it is not a qualified input as credit. Now after that, using that information, again the income tax department wants to verify about the details of such vendors and they come to our office and ask us to provide the details. So some of the information they have collected at that time and some of the information they asked which required some time and we are collecting and compiling that information and some more information is yet to submit. And at the income department also, water and food they collected,

they are also carrying out the proceedings. So we expect in another two, three months, the penalty of the survey will be known. As on this date, nothing is there.

Ashish Shah: So if you can just quantify the amount that we are talking about, the input credit which has not been allowed, at least even temporarily?

Subba Raju: About INR 80 crores to INR 85 crores.

Moderator: We have the next question from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Just in continuation to the GST input credit part, so that amount of INR 80 crores to INR 85 crores, whenever would be ascertained would be directly flowing to the bottom line, sir, what would be the treatment of the same going ahead?

Subba Raju: This INR 85 crores is collectable from the vendors. When vendors are discharged, ultimately the liability goes to them and we have debited to them and we have collected some of the amount. We have already written their books in the payables and the claims. We have adjusted some amounts and some of the amounts under collection from the vendors.

Saket Kapoor: So that is lying in the payable segment. That credit would when received would be a square off from the payable segment. It will not be going to the P&L part anymore? Correct, sir?

Subba Raju: That is correct.

Saket Kapoor: Coming to the margin outlook part sir. You mentioned that going ahead as the business size improves and we are looking for other verticals, we are looking at PBT margins of 5.5%. We did above 6% for this quarter. If you could clarify what is our margin outlook going ahead in terms of the 30% growth in revenue that is expected for FY '23, over last FY '22?

Subba Raju: Yes, as far as growth is concerned, 30% is achievable for the current year. As far as the margins are concerned, already might out there in the last three quarters out there. And some improvement quarter-to-quarter happen, and in the fourth quarter also, better margins will appear particularly at the PAT and EBITDA levels. But altogether, it may not be 5.5% per year as a whole. For the fourth quarter, it may touch 5% or so. So because already the operations are affected with the increased prices in the first two quarters, we cannot recoup all these things at a time. But in the next year, there is a good chance of to further improve from 5%.

Saket Kapoor: Sir, we posted 6% PBT number for December quarter. So we are expecting a decline for the fourth quarter or it will be in line?

Subba Raju: On the PBT margin?

Saket Kapoor: Yes, PBT margin sir.

Subba Raju: EBIT margin improvement would be there from the third quarter.

- Saket Kapoor:** For the third quarter. Okay. So then the improvement is on 6% base there. The base for Q3 is 6%. So it would be plus of northward of 6%, the PBT number, margin number.
- Subba Raju:** Your question is not clear actually.
- Management:** I will tell you.
- Saket Kapoor:** Yes. Sir, the PBT for the December quarter is INR 241 crores on a revenue of INR 394 crores. That works out to around 6%. Correct me there. So for the fourth quarter, the PBT margin will be northward of 6%. This is what we are anticipating?
- Subba Raju:** We expect more than 6%.
- Saket Kapoor:** Correct, sir. And other expenses also, so you please clarify once again, what is the reason for the increase in other expenses from INR 71 crores to INR 111 crores Q-on-Q basis. And year-on-year also?
- Subba Raju:** Already, I explained in my initial remarks and also someone also ask about the increase on that term. We already two times explain that one.
- Moderator:** Ladies and gentlemen. Will take the last question from Manish Shah, an individual investor.
- Manish Shah:** Sir, I wanted to ask about this Bangalore Metro project. What will be the future impact due to this, for future orders?
- Neerad Sharma:** It is difficult to assess at this point of time, at the end of the day as per contract, we are responsible to the client. And we understand that the client is also investigating what are the possible lapses on whose part. So it is very difficult to quantify. We are really, nobody really knows. They have appointed, we believe, couple of consultants, design experts. So unless and until, we receive a formal communication from the client, there is very little that we can add at this point of time.
- Manish Shah;** But this is the second incident with us in the metro thing so in future also we'll get metro orders or we have been stopped by bidding for metro orders?
- Neerad Sharma:** Sir, as we speak there is no change in the contract that we have signed with the client. If there is any communication, if there is anything new that we know of, we would be happy to share with you. Thank you very much.
- P.V. Vijay Kumar:** Thank you everyone. I think we'll end this call. We thank Centrum Capital for taking the lead in arranging this call and we thank each one of you for taking time and attending this call. Please do reach us, in case you have any further queries separately.
- Subba Raju:** Thank you all.

Ashish Shah: Thank you sir. Thank you, all the participants.

Moderator: Thank you very much sir. I now hand the conference over to Mr. Ashish Shah for any closing remarks.

Ashish Shah: Yes. So we'd like to thank the participants for attending this call. And thank you, management for letting us host this call.

Moderator: Thank you very much, sir. On behalf of Centrum Broking Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.