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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

Phiroze Jeejeebhoy Towers

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 November 9, 2022 with analysts discussing the performance & financial results of Q2 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Please note that no unpublished price sensitive information was shared/discussed in the earnings call.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

(Formerly Nagarjuna Construction company Limited)

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NCC Limited
Q2 FY23 Earnings Conference Call

Event Date / Time : 09/11/2022, 12:00
Event Duration Hrs. : 1 hr. 8 mins 38
secs.

CORPORATE PARTICIPANTS:

Mr. R.S. Raju
Director (Projects)

Mr. Krishna Rao
Executive Vice President, Finance and Accounts

Mr. P V Vijay Kumar
Vice President

Mr. Neerad Sharma
Head Strategy & Investor Relations

Mr. K. Durga Prasad
General Manager (Finance)

Q&A PARTICIPANTS:

1. **Shravan Shah** : Dolat Capital
2. **Nikhil Abhyankar** : Dam Capital
3. **Ranodeep Sen** : Mas Capital
4. **Ash** : Elara Capital
5. **Deepak Poddar** : Sapphire Capital
6. **Saket Kapoor** : Kapoor & Co
7. **Chandramouli** : Individual Investor
8. **Prashant Hazariwala** : Individual Investor

Moderator

Good afternoon, ladies and gentlemen. I am Pelsia, moderator of NCC Q2 FY23 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder all participants 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 * and then 0 on your touch tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Mohit Kumar from DAM Capital. Thank you and over to you sir.

Mohit Kumar

Thank you, Pelsia. On behalf of DAM Capital, we welcome you all to the NCC Q2 FY23 Earnings Call. From the Management side, we have with us Shri R.S. Raju, Director (Projects). Shri Krishna Rao, Executive Vice President (Finance and Accounts), Shri P V Vijay Kumar, Vice President (Finance), Shri Neerad Sharma Head Strategy & Investor Relations and Shri K. Durga Prasad, General Manager (Finance). Without much delay, I'll hand over the call to the management for the opening remarks, which will be followed by a Q&A session over to you, sirs.

Vijay Kumar

Good afternoon, everyone. This is Vijay Kumar, Head Finance and Vice President. I welcome all of you for the H1 FY23 Earning Investors Call. I thank you all for taking time to attend this. Before we start, I'll read out every disclaimer and then we shall go into the subject. The statements are made here or in the presentations uploaded by the company are to our best of knowledge to 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 Q2 into account. I'll briefly start with opening remarks followed by Q&A.

I have my colleague R.S Raju Director, CFO Mr. Krishna Rao, GM (Finance) Durga Prasad and Mr. Neerad, Head Strategy and Investor Relations are present in this call, who take your questions. Considering time limitation, I have a request, all audience please allow others to get a chance and limit yourself to one or two questions briefly, so that all can be accommodated. Now, we'll start now, so internationally, almost all economists are showing certain pain points in a major or minor way. We are in a peculiar situation arising after the COVID coupled with the global tensions causing supply chain disruptions. The theories in economies are like we are seeing them now after several years or decades of gap in their own way they are structured.

During his peculiar, troubled times, India has shown its resilience in bouncing back. If you observed main drivers of Indian economy, it is topped by infrastructure construction spending,

followed by consumer spending, which is since picking up. Thanks to the cascading effect of government spending and improved CapEx program across the states. The graph CapEx formation in effect 2022 has shown up nearly 16% while government at center embarked on various CapEx programs like Pradhan Mantri Awas Yojana, with an estimated budget of 48,000 crores, Jal Jeevan mission with an estimated budget of 60,000 crores etc. Meanwhile, private consumption expenditure as an indicator of demand in the economy, that contributes the most to the GDP, grew at 7.9%.

It is clearly now, a play of CapEx coupled with private consumption. The good part of India is the economies need to be matured and still offers good revenues. As you see India surpassed England as fifth largest economy in the world. This is the moment the companies, which have good business mix like NCC, which is into building, water, electricity, roads, mining, etc., are well positioned to capture all the opportunities in different segments. NCC with the size of 40,000 Crores of order books in all these segments remain as one of them spearheading companies in construction segment. Global inflation forecast is expected to be in the range of 8.8% in FY22 and as not shown so much affect during FY23 as well.

Primarily, arisen as a spillover effect of COVID relief measures, undertaken by various nations, the money supply has been substantially induced into the economies to support the civic life. The balance sheets of Federal Reserve and European Central Bank have expanded by 110% and 88% respectively, between January 2020 and December 2021. While RBI balance sheet blew up nearly 36% respectively. This helped us to stay behind the inflation band. However, we are also importing the effect of inflation into our economy arising due to supply chain disruptions, fall in rupee due to hike in interest rate in the west, causing dollar flight and impacting current account deficit.

Towards this end, RBI tried to address the problem by increasing repo rates, cumulatively by 190 days between May 2022 to September 2022. As a consequence, the rate of interest across the bank have arisen. I mentioned here that NCC the average rate of interest from April 1, 2022 to equals 8.6% gone up 8.7% as on September 2022, and most of our working capital is remained in the form of working capital demand loan. So, while average BG and LC commissions rates remain at the same level so far. So, we are yet to see the full impact of interest rates. While this being so the global hiking commodity prices seem going down, though the levels were not restored compared to previous year due to fears of recession in large economies like China, US, England, etc.

The experienced management and well-built contractual structures ensured to manage the cost not to slip beyond limited levels even the whole industry and economy are showing visible slippages in cost. Coming to the last part of my briefing, we remain bullish in our economy considering the infrastructure spend driven growth, the Indian economy will grow at an average real GDP growth of 6% during 2022-2030. On the other hand, China and US with the average

real GDP growth of 2% and 2.7% respectively. So, the high investment rate, which matches some of the peaks of earlier years, continues to be supported by CapEx of central government, which cumulatively in the current year has reached 2.3 lakh crores to until August 2022, 35% higher than the level of corresponding period of last year.

However, the input price volatility is still a concern and conditions prevailing internationally like Ukraine wars, stringent lockdown conditions followed by China and possible recessionary trends in major economies do determine the delta in which economy will see. I'll now pass on to my colleague, Mr. R.S Raju Director to bring out the salient features of a financial performance too you. As I said, please get the chance to others too and choose and limit your questions without repetitions.

R.S Raju

Thank you, Mr. Vijay Kumar. Good afternoon to all of you. I'm R. S Raju, Director (Projects). I will brief about the performance of the NCC at consolidated touching about the performance of the group companies individually. Thereafter, I will hand over to Mr. Krishna Rao, CFO of the company. He will brief about the financial performance of the company and its standalone basis. The company consolidated will.

Moderator

Ladies and gentlemen kindly stay connected while we connect the management team back on the call. Ladies and gentlemen kindly stay connected while we connect the management team back on the call. Ladies and gentlemen kindly stay connected while we connect the management team back on the call. We welcome the management team back on the call please go ahead, sir.

R.S Raju

Shall I go?

Moderator

Yes, sir.

R. S Raju

Okay. At the group level performance of the company. Company has reported revenue of 3,405 crores as against 2,601 crores on the corresponding quarter of previous year, a growth of 31%. It is reported a gross profit of 518 crores against 435 crores, growth of 19%. The company gross profit margin level this quarter reported 15.4% against 16.9% decline of about 10% in this quarter.

All of you know that there is a dramatical change in the material prices as compared with the previous year.

The prices went up like anything from the previous year, starting from third quarter and up to the end of the last year, and also some of the commodities still increased in the first quarter of the current year, but now the prices of commodities started coming down, some of the products, but not all commodities. As a result, the company a dip in the gross profit margin in the second quarter happened. Company has reported EBITDA for 310 crores against 266 crores a growth of 16% and also a dip happened in the EBITDA level from 10.3% to 9.2 about 1% dip happen at EBITDA level the reasons are more or less same.

We come to the net profit reported 131 crores against 114 crores a growth of 15% on plain comparison, but when you take out the exceptional item what we reported in the second quarter the previous year, about 31 crores, the net operating profit compared reported for this quarter is 131 crores as against 83 crores of the corresponding quarter the previous year resulting a 57% growth in the net profit. If we come to the QoQ, there is no much variation almost all the results are flat right on the revenue to the bottom line. As far as individual company's performance is concerned, from a group companies, all companies together reported a turnover of Rs. 368 crores and a profit of 9.33 crores.

There are two companies reporting the turnover in significant level and the third one is Infrastructure Limited, that is reported a 13.77 crores. Now NCC Urban is concerned as reported 82 crores as against 147 crores of the corresponding quarter of the previous year. And other big company in console level is a Pachhwara coal mining it is an upcoming company reported a turnover of roughly to 280 crores as against 228 crores of the corresponding period of the previous year. There is a significant growth happen in this company. As far as profit is concerned there is no any significant change, year reported a 9.33 crores as against 9.64 crores because there is no significant change in the top line.

When you come to the NCC Urban, inverter company wise though, there is a fall in the turnover, compared to the corresponding quarter for the previous year. In the previous year in the same quarter some additional revenue booking is happened because of the internal accounting policies and certain projects, so make sure you recognize the income as a result more income is reported in the corresponding quarter of the previous year. But to come to the profit margin level, there is a significant improvement happened in the profit margins of the NCC Urban Infrastructure Limited. First quarter also reported a growth in the profits, second quarter also reported some more growth in the profits. And in this quarter, they reported a path of 15% as against 10% of the corresponding quarter of the previous year.

Similarly, when you come to the other company, Pachhwara Coal Mining Private Limited, there is increase in the top line from 228 crores to 280 crores and EBITDA also there is an improvement

from 8.9 crores to 11 crores and PAT company reported 8.2 crores against 6.7 crores of the corresponding quarter of the previous year. Here, the important point to note here is the group companies earlier used to report losses because of various problems associated with those companies. And now, gradually the business, we have closed in some of the group companies and the inflows are happening from those companies in terms of monetization of the assets, both the equity as well as the loan.

So, going forward, we are not expecting the companies to report the losses in the Group company level in both urban and as well as the Pachhwara coal mining companies report profits as a result at console level profit increases YoY, earlier always in the group level, the group level profit is lower than the standalone profits, but now, the situation changes. Now gradually the console profit more over the standalone profit, which helps ultimately to report a good EPs and good return on net worth. At console level, the debt standing at 2,002 crores as of 30th September as against 1,753 crores an increase of roughly 250 crores in the second quarter.

And CapEx is increased 74 crores basically the increases belong to the parent company and there are no increases in the group companies either debt or CapEx. The cash flows for the second quarter generated from rock operations is around 8 crores and used for investing activities 64 crores again generated from financing activities about 15 crores. This is about in general the performance of the company at a console level. Going forward, about the company we expect that company grows further because of the positive outlook for the Infra and restructuring of the company's monetization of the investments and loans as a result the loss-making companies will not arise. The further cash flows happen from the group companies into the parent company as a result the capital employed in non-core business comes down and the capital employed in core business increases as a result the overall return on capital employed increases going forward.

Companies have now adequate resources to handle any expansion as contemplated YoY. Organized bandwidth also the company increases to convert the market opportunities into the company's business. So, we expect a positive aspect going forward for the company and it goes back to the level of 2018-19 where we reported 12,000 crores plus revenue thereafter certain setbacks happened to the company as a result some degrowth happened and followed by the again COVID years impact and now the company has come to a good position and going forward it reports and growth YoY. So, this is about the group company level will now handle over to Mr. Krishna Rao to brief about the standalone finances.

Krishna Rao

A very good afternoon. Order book summary, order set beginning of the financial year 39,361 crores, orders received in six months 7,117 crores, value of the works executed during the six months 6,458 crores order book stands at end of the six months 40,020 crores. Major orders received during Q2 is HLL Infratech service. This is to building funds by central government during

the 27 months and the value is 946 crores. Next order is Rural Water Supply and Sanitation Odisha, this is to water division and the funding by State Government, duration is 24 months, value of order 910 crores. The last Executive Engineering PWD Capital, Guwahati order is to building division, funded by State Government. Duration is 48 months value is 393 crores. We have also received orders in October and November up till for water division we have issued two orders, one is from Odisha and Gujarat, valuing 1,056 crores and for electrical division, it is 321 totaling to 1,377 crores.

The operating performance at standalone level revenue for the quarter is 3,037 crores compared to the corresponding Q2 2,223 crores achieved a growth of 37%, and the gross profit achieved for the quarter is 493 crores as against the corresponding quarter of 397 crores achieved a growth of 22%. There is slight improvement in the gross profit compared to the Q1 0.04%. EBITDA to 89 crores as against the corresponding quarter of 237 crores achieved growth of 22%. PAT for the quarter is 122 crores and once we eliminate the exceptional item in the corresponding quarter, the PAT is going to stand at 73%, growth achieved is 67%. The salaries and administrative expenses there is a slight increase- 25 crores, and administrative 9% compared to the revenue growth of 37% is normal.

And Interest & Finance charge there is a slight increase because of the BG and LCS mode utilization. Cash flow generated for the quarter from operations is 51 crores, and cash flow used is equivalent amount 51 crores. Cash flow from financing activities is 50 crores, as a result net increase in cash utilities 50 crores as against the corresponding quarter of 32 net increase in cash. The receivables compared to Q1 increased to 2,792 crores, an increase of 397 crores and the debt collection period stand at 95 days as against March 97 days, there is a slight improvement, and the debt position is at the beginning of the quarter 1,707 crores. We have utilized it because of the growth of the business more working capital 278 crores. A debt, which net end of Q2 is 1,985 crores.

With regard to the loans, investment and advances from the subsidies we were able to collect 15 crores, 13 crores from NCC Urban Infrastructure and 2 crores from Nagarjuna Construction International as a result to that extent of 15 cross there is a reduction in the exposure to the group companies. Retention money stands at 1,925 crores slight increase by 37 crores. Unbilled revenue remains at the same level 2,895 crores. Margin money because of the more LCS and BGs increased from 534 crores to 551 crores increased by 17 crores. Borrowing, I have mentioned that the increased by 278 crores. Retention money is slightly increased from 1,121 crores to 1,147 crores, 27 crores increase. Mobilization advance there is a decrease by 15 crores stands in 2,006. CapEx in the second quarter is 93 crores and first quarter is 56 crores totaling to 148 crores. It is all about standalone financing results.

P V Vijay Kumar

Yeah, we can start the Q&A session. Please, as I said please restrict your questions to 1 or 2 per participant, so that others can also participate. And now I request participants to pose the questions please.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the Q&A session. If we have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so, by pressing * and 1 again. Ladies and gentlemen, if you have any question please press * and 1 on your telephone keypad. There will wait for a moment while the question queue assembles. The first question comes from Shravan Shah, from Dolat Capital, please go ahead.

Shravan Shah

Thank you. Congratulations on a good set of numbers. So, my first question is in terms of the guidance. So, now are we going to give a formal guidance. So, in the first half, we have done 46% revenue growth. So, how do we see for the full year, and you have already mentioned in terms of that growth will be continuing YoY going forward? So, first is on the revenue guidance and secondly, in terms of the EBITDA margin, how do we see and order inflow for the year, how do we see?

R. S Raju

Yes, as far as the growth is concerned for the current year, the first six months company reported about 45-46% growth, but the thing to be noted here at a pre-COVID level is there in the first half of the previous year and in the previous year, there is a ramp up in the top line as improvement is there in post-COVID levels. As a result, in the previous year, third and fourth quarter also company reported a significant level. As compared to the first half year, certainly this growth 45 percent is growth reported, but the same level of growth would not be there, because last year second half already reported a level 2700 of 3100 level of turnover by the company.

So, basing on the current scenario, then we revealed the quarterly and we expect a further 20% growth in the second half year and overall growth of 30% is maintainable for the company for the year as a whole. And you also asked about the YoY again next year also probably understand that the growth more than growth. But okay, the next year onwards already decided to give the guidance in the beginning of the year itself. Since already substantial period is over in this one

and management decided at this point of time, it is not advisable or not good to give in between the guidance, but the expected number of levels is 30% over the previous year.

Shravan Shah

On the EBITDA margin and order inflow and date, which has increased close to 800 crores and standalone in the first half, so how do we see by year end?

R. S Raju

And the order flow already happened about 7,117 crores and some more orders also we received, in the October month and orders are also there in the pipeline, so basing on with the total pipeline and not respective of roughly 10,000 crores already is there and per year as a whole, we expect the growth of 30% in the order book and thereby, booking for the year would be around 16,000 crores. As far as EBITDA is concerned now the company has reported EBITDA of almost 9.6% and going forward, we expect a further improvement from this 9.6 level and it we expect-- that it touch the 10% for the EBITDA level.

Shravan Shah

Lastly on the debt level funds are so, which has increased 800 cores. So, by year end, do we see further some improvement in working capital and the debt level to come down?

R. S Raju

Yes, you are right and now the company that they have taken up big size of projects and there is a ramp up in the executional levels. Majority of the projects are mobilized and reached 20, 30, 40% level and we augmented the total execution levels as a result we pumped about 800 crores into the projects to achieve this 30% the level of growth. Generally, in the construction in the first and second quarter the working capital cycle increases and the funds goes in the projects, but third and fourth quarter the collections improve as a result the debt also in third and fourth quarter decline happen, general historically when you verify and for this year also we expect the reduction of some 800 crores to 700, 600 crores as a result that debt position comes down by the year end from the present level of 1985 crores. We expect about to 1500 crores or so, so from this level about 400-500 crores improvement we expect by the year end.

Shravan Shah

Okay. Thank you, sir and all the best.

Moderator

Thank you. And the next question comes from Nikhil Abhyankar from DAM capital. Please go ahead.

Nikhil Abhyankar

Thanks for the opportunity and congrats on a good set of numbers. Sir, we have already sold our Vizag lands and we were supposed to receive the second tranche of installment. So have we received it till now, so can you just give a clear picture?

R. S Raju

We have not received, but during the last meeting they sought for the three months of grace period and there we expect that payment in the December, in this third quarter. And the next phase also we get by March.

Nikhil Abhyankar

Okay. So, all 5 billion will be received by March end.

R. S Raju

Not all, out of three one tranche is pending. One tranche we expect in December, another tranche in March and one tranche to skip into the next year.

Nikhil Abhyankar

Okay, so just to clarify the around 375 crores we'll receive in this year one we have already.

R. S Raju

No, that is not the schedule of payments, I explained about the equity part whatever the equity be 50 crores-50 crores, like that they have tranches. But as far as the loan is concerned that is outstanding is about 320 crores is there, that the loan as per the agreement is payable part in the FY2223 and part in the FY2324. The deadline for the total loan repayment is 24th March.

Nikhil Abhyankar

Okay. And sir, what is the status on receivables from Andhra, sir?

R. S Raju

Yes, as Andhra is concerned, there is a good improvement to about the collections from the Andhra and now, the exposure as far as Andhra is also concerned has come down dramatically to 3153 crores. As far as payments are concerned, in the current year, in the six months period 202 crores we collected and in October also we received 34 crores. As a result, the long pending receivables from the old projects has come down dramatically. And about new projects that anyhow they're going, and the payments are coming. And in the new projects some pending are there some four, five months receivables relate to the ADB projects.

Otherwise, the payments relating to the old projects, particularly relating to the Capital City projects, where two segments are there. One is roads, other one is buildings. Only to that extent pending are there. In the billing spot again, some improvement is happened. The Government asked us to complete the housing or the Multistoried houses for the and other things. And payments also they're making for the project. So, net-net there is a very good deduction happened, hardly 150 to 200 crores pending should be there with relation to this Capital City Project.

Nikhil Abhyankar

Understood sir. And just one last bookkeeping questions I did not get the taxes earlier, so the retention money is 1,925 crores and unbilled revenue is 2,895 crores. Mobilization advances 2,006 crores and so what is the loans to contractor?

Krishna Rao

1,433 crores.

Nikhil Abhyankar

Okay, sir. Thanks a lot. That's all from my side. All the best.

Moderator

Thank you. I request the participants to restrict with two questions in the initial round and join back the queue for more questions. Next question comes from Ranodeep Sen, from MAS Capital, please go ahead.

Ranodeep Sen

Thanks for the opportunity. Just wanted to understand what's the share of government in the 40,000 crore orderbook that we have and a continuation to that question, are we going to focus on any of the upcoming infra themes like airports, hospitals and data centers? Thank you.

Neerad Sharma

Yeah, good morning. Our business is primarily from the Government Sector, when I say-- when I use this word Government Sector, I am talking about Central Government, their agencies as well as State Government and their agencies. So, primarily the exposure that we have is from the government business. Coming back to these two sectors, we are, actively participating in all the upcoming airports bids. In fact, we have recently completed this Guwahati Airport about couple of months back and we are currently already in the process of completion of this Lucknow Airport and Patna is also in very advanced stage of construction. So, we do participate in these sectors.

Ranodeep Sen

Thank you, sir. Anything in the data science space?

Neerad Sharma

Data science, primarily the projects which are coming up in data center is on the development mode. So, we are very selective, in that segment as we speak, so you have to have your equity you have to develop and then rent it out to the various IT and IT services company. So, we are currently studying this segment, but we have not participated in any of these bids as we speak.

Ranodeep Sen

All right. Thank you so much.

Moderator

Thank You. Next question comes from Ash from Elara Capital, please go ahead.

Ash

First question, could you throw some light on the international exposure I know it's very insignificant as of now, but like to get exposure on how much amount has been received or how much payment is yet to the received?

R S Raju

As far as International is concerned, and the construction business, we have stopped and almost all the parts are over only one project is left over about 30 to 40 crores, in Qatar Petroleum that

would be completed by March of this year. As far as payments are concerned, we yet to get balance of 80 to 85 crores from the International LLC company out of which in the current year another 35 to 40 crores we expect by March and balance in the second year. Certain receivables are there for the International LLC Company relates to the two projects that to happen to pay the amount the back to the NCC.

Ash

Also could you give the revenue on the orderbook breakup for each and every sector?

R. S Raju

You were asking revenue as in every sector wise?

Ash

Yes.

R. S Raju

Okay. Our CFO, Krishna Rao will tell the numbers. We tell you about the end figure order book as of 30th September, 2022 division wise, you we are asking revenues.

Ash

Revenue as well as orderbook, both and if you could just give the YoY companion for revenue that also will be good.

Krishna Rao

Revenue in six months billing division stands at 3,195 crores represents 49%. Order book at the end of September 25,269 crores constitutes 63%, roads 432 crores stand at 7% of the revenue closing other 714 crores represent 2%. Water and environment revenue for six months is 1,374 crores represents 21%. Closing order stands at 6,797 crores stands 17%. Electrical revenue is 528 crores, stands at 8%. Closing order book is 2,365 crores 6% of the total order book. Irrigation turnover is 202 cross is 3% and order book at the end of six months is 1,080 crores 3%. And mining turnover is 687 crores represents 11%, and order book at the end of half year 3,357 crores 9%. Others is the minors 35 crores order book is 229 crores. Thank you.

Ash

Also, I wanted the quarterly break up you gave the six months break up for revenue division. So, could I get for this quarter as well as the same quarter last year?

Krishna Rao

Unless six months. We have arranged for 6months, we will tell that later.

Ash

Okay. Thank you so much.

Moderator

Thank you. Next question comes from Deepak Poddar from Sapphire Capital, please go ahead.

Deepak Poddar

Hello, thank you very much for the opportunity. I just wanted to understand, in your opening remarks you mentioned about that full impact of rate hike is still left to come into our interest cost. So just wanted to understand what is the incremental cost in rupees, crores we're talking about in terms of interest outgo?

Krishna Rao

Yeah, the finance costs for Q2, it stood at 123 crores, while in Q1 it was 108 crores. So, for H1 together it goes up to 230 crores as compared to 270 cores in the previous year in H1.

Deepak Poddar

That I know. So I'm asking not the reason, I'm asking what the incremental interest full impact, I mean, you said the full impact will come in coming quarters right in terms of higher interest costs. So, what is the incremental interest cost one can expect going forward, because what this will impact.

PV Vijay Kumar

From , April to September, there have been four hikes which is aggregated into 190 beats, whereas, we have seen only 10 beats increase in our fund base limits and there is no increase in non-fund base limits. So, the hiked interest rate is yet to be known, how much it is going to be, in

which range, it is going to be, which is yet to be known. Once the renewals happen, what we predict is, as far as the fund base interest rates are concerned possibly it might go another 0.4 to 0.5% with the fully year impact and non-fund based, we clearly don't see much of increase maybe at the maximum we can see 0.1% or 0.2%.

Deepak Poddar

Okay, so, on an average our interest costs can increase by about 0.3, 0.4% right I mean overall.

Krishna Rao

At average that is safe zone to consider.

Deepak Poddar

Okay, this QoQ increases interest cost is because of higher debt levels?

R. S Raju

Not only high debt level, because the company operations are increasing as a result of the quantum of VGs and quantum LCs increased. The cost of BG and cost of LC is more out there than this deck. Only the debt in this quarter increased about 270-280 crores.

Deepak Poddar

Okay. I Understood. That's it from my side, all the best to you sir, thank you.

Moderator

Thank you. Next question comes from Saket Kapoor from Kapoor & Co, please go ahead.

Saket Kapoor

Firstly, it's a small understanding, you mentioned a 30% growth on the top line we have done for the first half this should be the outlook of execution for H2, is that understanding, correct?

R. S Raju

No, the first half year, we reported a growth of 45%, okay? For the year as a whole, when you ask for the year as a whole, what the growth was the previous year when you come to that point, we said that 30% growth we expect for the year as a whole for the previous year.

Saket Kapoor

Okay. So, on a top line of 11,000 crore we are expecting a growth of 30%.

P V Vijay Kumar

Yes, you are right. We do not have a specific pointed figure from a board as a guidance these are certain things you know looking to the past we can, assume in a safe zone.

Saket Kapoor

You are completing the sentence, sir.

R. S Raju

What ultimately we mean here is 30% overall growth for the year compared to the previous year.

Saket Kapoor

Correct. And our total proportion of 40,000 crores how much is the operation and maintenance contract partner as a revenue and for the first half how much we are booked in O&M part.

R. S Raju

Yeah, in this order book, this O&M part particularly the big project what we received from the Brihan Municipal Corporation Mumbai, t, where big content 1800 crores there that we have not included in the order book. As the revenues happens after some time after five years, six years, so we are not included in this one. Only in this order book, small wind up projects are there, roughly 5-6 or 7% would be there.

Saket Kapoor

Okay, the order book of 40,000, 1800 is attributable to that Mumbai project, part and that I think so, seven to eight years down the line that will start included in the revenue.

Neerad Sharma

This O&M contract, that my colleague had just talked about has not been accounted for. This project will take about six years to get developed, then the O&M will start that will continue for about 16 years, the value is about 1,600 crores. So, in the order book that we are talking about are 40 odd 1000 crore, all that we have accounted for from this project is about 3,833 crores.

Saket Kapoor

You mentioned the cost of fund at 8.65%, is the blended cost, for us?

R S Raju

Yes, blended cost.

Saket Kapoor

We see it going up by another 0.35 basis point going ahead, that is what our expectation is.

Krishna Rao

That is what safely we can assume.

Saket Kapoor

Okay, so when we look at the cash flow, 8.68, okay. So, when we look at the cash flow part, we find the income tax payment to the tune of 99 crores for the first half. So, with 99 crores is totally attributable for this fiscal year or do we have a prior period item also being paid for this quarter, out of the 99 crores?

R S Raju

This tax payment advanced tax, tax payment maybe you're asking the –

Saket Kapoor

Yes, net income tax paid the funded line item, which was 99 crores.

R S Raju

No, 99 crores, it is a deduction. Generally, we won't pay any money for the tax from our end. 2% the client deduct from our RA Bills and also they deduct the 2% from the advance payment also. The liability is different, this advance is different. Generally, the payment whatever we made to the income tax department is higher than the tax liability. So, the profit and loss account show us what are the liability of the company for the past half year, that comes roughly about.

Saket Kapoor

It is 72 crores, Sir.

R S Raju

Yes, that is the liability and what you talk is about the advance payment.

Saket Kapoor

Okay, last question said about the investment property and investment property under construction, what are these two-line items, that investment property of Rs. 185 crores and investment property under construction at the tune of Rs. 103 crores.

R S Raju

Under construction means, it is still under progress. Primarily this is the Jubilee Landmark, where the property is developed by the Mantri Developers, where we have some part as a landowner, and investment property means whatever completed flats or other part is there, that line item represents that part.

Saket Kapoor

So, this Rs. 185 crores is the inventory in the form of investment in property that we are carrying and Rs. 103 crores we are holding the land parcel, on which the property will be developed?

R S Raju

Some are land properties, and some are completed flats. Roughly, we have about Rs. 70 to 80 crores completed flats, which are in sale and some of the flats sale has happened in the 1st and 2nd quarter, and the balance is about the land pocket.

Saket Kapoor

So, these Rs. 103 crores, you will realize over a period of time?

R S Raju

Yes, this we will realize over a period of time. This is also we realize, about the investment property. That is also we realized, if you see that on the numbers, last year by March 22, we have Rs. 160 crores. Now it has come down to Rs. 143 crores, about Rs. 17 crores we are realized in the first two quarters. Similar realization will also be there in the next two quarters.

Saket Kapoor

Thank you for all the very, very candid answers. For the other incomes knock off, you mentioned that last year has other income component of Rs. 32 crores. So, when we look at the console part, the other income component was Rs. 20 crores for September 21 and for this quarter it has gone up to Rs. 32 crores, so if you could explain what were you trying to convey?

Krishna Rao

That our income also represents partly, the profit what we earn on the sale of the property, what just now we discussed that one. And other income also represents the dividend payment what we received from one of the subsidiary company. So, these are the two elements which are on the high side compared to the earlier period.

Saket Kapoor

Sir, you were knocking out some Rs. 30 crores earlier in your opening remarks, some Rs. 30 crores other income thereby showing the profit would have been, yes.

R S Raju

That is Rs. 31 crores what we knocked out.

Saket Kapoor

Okay, right sir. And thank you for all these the details, that was my mistake, I stand corrected Sir.

Moderator

Thank you, we have a follow up question from Shravan Shah from Dolat Capital, please go ahead.

Shravan Shah

Thank you, Sir. Two questions first is in terms of the group exposure. So, currently we have over Rs. 1,292 crores. So, by year end how do we see how much this exposure will be reducing?

R S Raju

Rs. 187 crores we expect in this current year, so in terms of loans and in terms of equity, both put together we expect Rs. 200 crores part. That Rs. 893 crores and the total exposure is Rs. 1,446 crores at this moment, and about Rs.119 crores we expect to realize by March so, the exposure come down to Rs. 1,200 crores across by March end.

Shravan Shah

Sorry, sir. As of September, the group exposure is Rs. 1292 crores, or the number is higher?

Vijay Kumar

I talked about from March 22.

Shravan Shah

Okay. So, from March 22, we are expecting close to Rs. 200 crores to be reducing. Second is, in terms of the CapEx we mentioned so, in cash flow it shows Rs. 125 crores, but you said Rs. 148 odd crores we have done in first half. So, how much for the full year we are likely to do the CapEx at standalone level.

Vijay Kumar

Rs. 225 crores.

Shravan Shah

Okay. And lastly, in terms of the retention money you mentioned, is it Rs. 1852 crores or Rs. 1925 crores?

Vijay Kumar

Rs. 1925 crores.

Shravan Shah

Okay. Which is the one on the asset side Rs. 1925 crores, okay. And then other income, now should be, on the stand alone should be slightly coming down, so from Rs. 30 to 33 crore that we have seen in the 1st and 2nd quarter, so it should be now reducing in the 3rd and 4th quarter.

Vijay Kumar

No, more or less in the same level should be there.

Shravan Shah

Okay. That's it from my side. Thank you.

Moderator

Thank you. We have a follow up question from Nikhil Abhyankar from DAM Capital. Please go ahead.

Nikhil Abhyankar

Thanks for the opportunity again. Sir, we had earlier mentioned that the run rate for JJM orders in FY23 would be somewhere around 50 billion if I'm not wrong, so how much have we done in H1 and what is the guidance for the remaining year?

Vijay Kumar

Can you repeat this question please?

Nikhil Abhyankar

What is our run rate JJM orders in H1 and what is the guidance for FY23?

Krishna Rao

Yeah, we have achieved a turnover in Q1 Rs. 646 crores and in Q2 Rs. 814 crores, in six months' time, it is Rs. 1460 crores. So far, we have achieved all the projects together 27%, so balance orderbook stands at Rs. 7,861 crores.

Nikhil Abhyankar

Okay. And can we expect similar execution in H2?

R. S Raju

Similar, or little more than the first six months also.

Nikhil Abhyankar

Okay. Sir our tax rate is low in Q2, any specific reason?

R. S Raju

Repeat me?

Nikhil Abhyankar

The tax rate in this quarter is lower at 19%.

R. S Raju

In the current quarter, we have received or some payments from the income tax department, relating to certain long pending disputes with the department, and we got an order in our favour from the Appellate Tribunal, and we received about Rs. 10 to 14 crores, as a result the tax rate has come down for this quarter.

Nikhil Abhyankar

Understood. Thanks a lot Sir.

Moderator

Thank you. Next question comes from Chandra Mouli, an individual investor, please go ahead.

Chandramouli

Hello. What about the pending cases sir, it's been long pending?

R. S Raju

Two cases are there. Now, as far as **Semb Corp** case is concerned, the arbitration proceedings more or less over, they are at the end stage. In the next one or two months, the balance proceedings take place. Basing on the project scenario, we expect an order in the March 23. And about the second case, TAQA , is still in progress, but for the amicable settlement, the dialogues are happening between the two companies, and one round discussions over in the last month,

and there is a hope to get an amicable settlement, and if amicable settlement is arrived, in six months' time the case gets closed.

Chandra Mouli

Sir, in worst case scenario, is there any cash outflow from the company, or have we already provided everything?

R. S Raju

As far as **Semb Corp** is concerned, we are not expecting any cash outflow and we expect a cash inflow of Rs. 650 to 700 crores. As far as TAQA is concerned, there is an outflow and for that one, we made a provision in the books of account roughly about Rs. 100 to 120 crores outflow will be there.

Chandramouli

Okay, if that is the case, it is only the positive expectation of about some Rs. 600 crores, even the worst-case scenario, am I right?

R. S Raju

Right And this liability pass on NCC Infra Holdings Limited, and Infra Holdings Ltd., get similar amount from its subsidiary that is from Brindavan Infrastructure Company Ltd., that is why that project getting closed in another one and half years, and inflow of about Rs. 100 crores is there from that company, that company utilize that Rs. 100 crores for the TAQA settlement thing.

Chandramouli

Thank you.

Moderator

Thank you. Next question comes from Prashant Hazariwala, an individual investor, please go ahead.

Prashant Hazariwala

Hi, good afternoon, sir. So, my question is like, we used to do around 12% of EBITDA margin and now we are at 9% of EBITDA margin, so how do we expect for H2, what kind of EBITDA margin you can expect from H2?

R. S Raju

We expect second half, an increase from that of H1, that would be stand at 10.2% or 10.3% level. As a result, for the year as a whole, we expect 10% EBITDA.

Prashant Hazariwala

Other income, what kind of other income we can expect going forward? It has come down to Rs. 32 crores?

Krishna Rao

We have already answered, at the same level and varying about to 5 to 10% this side or that side.

Prashant Hazariwala

Okay, so it's like, it's a one-time kind of thing, right? Other income, we can expect it for quarter to quarter, right?

R. S Raju

They're not one-time items. They represent, other income represents my interest income on the loans given to the group companies, number one. The interest on the margin money, what I have with the banks now. Some rental income would be there, dividend income is there, the profit on the sale of properties is there. Not a sudden and exceptional item, if the activity closed, only then the other income gets closed.

Prashant Hazariwala

Right, so if we take out the profit on the sale of the properties, what kind of other income we can extract quarter on quarter? So if you take out this profit from the sale of the property, that can be one time. So, what kind of other income we can expect?

Krishna Rao

Every year as a whole Rs. 10-15 crores will be there in the profit on sale of property.

Prashant Hazariwala

Okay, we used to do 180. Last year we have moved to Rs. 270 crores. So, what if we can take an all-inclusive, we can expect Rs. 250 crores yearly?

Krishna Rao

What is your question, is not clear. Voice is also breaking.

Prashant Hazariwala

Okay, all right.

Vijay Kumar

We are reaching the closing part of the meeting now. Maybe we'll take another one or two questions. That's all. Please cooperate.

Moderator

Thank you, sir. That will be the last question for the day. I would now like to hand over the floor to management for closing comments.

Vijay Kumar

Thank you everyone for your patient listening. And we are available to you by mail. In case you have any questions, you can always reach us. Thanks again for taking time and attending the call.

Vijay Kumar

Thank you all.

Krishna Rao

Thank you.

R. S Raju

Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes the conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

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- Note:**
1. This document has been edited to improve readability
 2. Blanks in this transcript represent inaudible or incomprehensible words.