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Date : 20-08-2019

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

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

Dear Sir(s),

Scrip Code : NSE: NCC & BSE : 500294

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

Please find enclosed herewith the transcript of the earnings conference call that took place on 9th August, 2019 discussing about the performance & Financial Results of Q1 of the F.Y.2019-20. Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.

20-08-2019
M V Srinivasa Murthy
Company Secretary & EVP (Legal)
Encl : As above

NCC Limited

(Formerly Nagarjuna Construction Company Limited)

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“NCC Limited Q1 FY20 Earnings Conference Call”

August 09, 2019



MANAGEMENT: **MR. R.S. RAJU – ASSOCIATE DIRECTOR (F & A)**
MR. Y.D. MURTHY – EXECUTIVE VICE PRESIDENT,
FINANCE
MR. S.V. N. BHANOJI RAO – VICE PRESIDENT (FINANCE)
MR. K. DURGA PRASAD – JOINT GENERAL MANAGER
(FINANCE)
MR. P SURENDER RAO – CHIEF MANAGER (FINANCE)

MODERATOR: **MR. VIBHOR SINGHAL – PHILLIPCAPITAL (INDIA) PVT**
LTD.

Moderator: Ladies and gentlemen, good day and welcome to the NCC Limited Q1 FY20 Earnings Conference Call, hosted by Phillip Capital (India) Pvt. Ltd. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing and '* 'then '0' on your touchtone telephone. I would now like to hand the conference over to Mr. Vibhor Singhal from Phillip Capital India Pvt Ltd. Thank you and over to you, sir.

Vibhor Singhal: Thanks, Hello and good evening to everyone. Welcome for the first quarter Q1 FY20 results conference call for NCC Limited. Today we have the management of NCC Limited represented by Shri. R.S. Raju – Associate Director, Finance and Accounts; Shri. Y.D. Murthy – Executive Vice President, Finance; Shri. S.V.N Bhanoji Rao – Vice President, Finance; Mr. K. Durgaprasad – Joint General Manager, Finance; and Mr. P. Surendra Rao – Chief Manager, Finance.

We will have some opening remarks from the management in the beginning, and then we will open the call for Q&A. Over to you, sir.

YD Murthy: Thank you, Vibhor. Our management team is here. Already Vibhor Singhal has introduced to manage the team. I thank all the participants for taking their time out for participating. Briefly will tell you about the first quarter results of FY20, and after that you can have questions and answer session.

First the revenue, total revenue from operations in Q1 FY20 was Rs. 2,187.68 crores, other income is Rs. 25 crores, and a total revenue booked by your company in the first quarter is Rs. 2,212.7 crores. Operating EBITDA is Rs. 266.9 crores, it is about 12.2%, there is good improvement compared to 11.3% last year. And PAT is about Rs. 81.32 crores, PAT margin is 3.7%, finance cost is Rs. 125.85 crores, that is about 5.7% of the turnover; and the depreciation is Rs. 43.7 crores, cash profit is Rs. 125.02 crores.

Details of other income, interest income is Rs. 20.04 crores, rental income is Rs. 1.13 crores, miscellaneous income is Rs. 3.95 crores, total other income is Rs. 25.02 crores for the quarter. The finance cost, the total finance cost is Rs. 125.85 crores, out of which interest on term loans is Rs. 12.3 crores, interest on cash credited in WC is Rs. 46.8 crores. Interest on mobilization advances is Rs. 31.6 crores, interest on others is Rs. 1.82 crores. BG commission is Rs. 27.9 crores, LC commission Rs. 3.4 crores and the bank other charges Rs. 1.9 crores, the total finance cost is Rs. 125.85 crores as compared to Rs. 101.56 crores in quarter over the previous year.

Debt on the standalone balance sheet, total debt is Rs. 2,399.8 crores, out of that cash credit working capital demand loan is Rs. 1,847.52 crores, short term-long term borrowing is Rs. 89.7 crores, missionary loans were Rs. 462.6 crores, order book is Rs. 33,495 crores at the end of the first quarter. The composition of the order book is like this:

We started the year with an order book of Rs. 35,121 crores. Orders received in the first quarter is Rs. 636 crores, including the irrigation order. And orders executed in the first quarter is Rs. 2,262

crores; and orders at the end of the first quarter Rs. 33,495 crores. The competition of the order look at the end of the first quarter is: buildings Rs. 14,817 crores, roads Rs. 8,303 crores, water, environment and railways put together Rs. 4,224 crores, electrical Rs. 1,725 crores, irrigation Rs. 1,596 crores, mining Rs. 2,200 crores, international Rs. 350 crores, and others about Rs. 280 crores, 1%.

Fixed asset net block at the end of the first quarter is Rs. 1,255.89 crores, additions to fixed assets during the quarter is Rs. 52.3 crores, loans and advances to subsidiaries and associates is Rs. 559 crores, investment in associates and subsidiary companies is Rs. 919 crores, total exposure to group companies is a Rs. 1,478 crores as compared to Rs. 1,387 crores at the beginning of the year. And mobilization advances Rs. 1,487 crores. Retention money Rs. 2,249 crores, cash and bank balance Rs. 196 crores, inventory raw material Rs. 497 crores, work-in-progress in property development is Rs. 15.72 crores, total inventory is Rs. 513 crores. Trade receivables outstanding period exceeding six months Rs. 697.9 crores, outstanding for period up to six months is Rs. 2,504.1 crores, total Rs. 3,202 crores.

Receivables and the debt collection period in days Rs. 136 crores as compared to Rs. 94 crores at the end of the previous quarter.

Management:

Operating performance of the company, on a consolidated basis reported a revenue of Rs. 2371 crores as against Rs. 2,530 crores of the corresponding quarter the previous year. It has reported PBT of Rs. 113.7 crores and a net profit of Rs. 72.27 crores as against Rs. 102.16 crores.

So in the consolidation the total loss of the all subsidiary companies together is about Rs. 9 crores. So, the major company wise I will just read out the numbers. The Oman and Dubai international business reported a turnover of Rs. 84 crores and a loss of Rs. 3 crores. NCC Urban reported a turnover of Rs. 70 crores and profit of Rs. 1 crore. Orai-Bhognipur Infrastructure reported a turnover of Rs. 26 crores and a loss of a Rs. 3.56 crores, and PDDL reported Rs. 1.95 crores. And NCC Infra Holdings Rs. 1.31 crores loss. So, all these companies reported a loss of Rs. 9 crores. So, as a result, the consolidated profit of the company for the first report is at the Rs. 72.3 crores.

So, as far as the debt is concerned, in the NCC standalone already my colleague Mr. YD Murthy already explained, about Rs. 400 crores increase in the standalone, whereas in the subsidiary companies the debt has come down. In international companies about Rs. 139 crores has come down. And NCC Urban the debt has come down by Rs. 106 crores, and in Orai-Bhognipur Infra came down by Rs. 23 crores. So the overall is about the increase at a consol level, the increase is Rs. 139 crores. Consolidated debt of the company is now at the Rs. 2,725 crores. It has increased from Rs. 2,472 crores as of March to Rs. 2,725 crores. The increase is about Rs. 253 crores, and not Rs. 139 crores. The increase in consolidated level, the debt increased by Rs. 253 crores.

That's all from our side.

- Management:** Yes. These are the comments from the management side. Now I will request the participants to ask their questions. And for the sake of time, I request participants not to ask more than two questions per participant. And also, we will be taking up a maximum of about 25 questions. Please proceed.
- Moderator** Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Sir, first on the execution side, obviously, it has been impacted because of the AP orders. But if you can throw some light on, if there was any execution at all in AP during the quarter? And what you would assess as the lost execution on account of the disruption which has happened in AP?
- Management:** As far as execution side is concerned in AP, right from the beginning we are closely watching while executing on project, basing on the project allocation, basing on the payments made by the client. So, since there is an election, in advance we know that the uncertainties about the AP projects going forward. So since we waited up to the result, thereby in April and May we have not executed any significant level except small level. So in May, again, election results has come so after the election result how the new government reacts and the projects how the new government allocate the funds, and basing on the manifest and other things of the party the priorities looks for various other areas by the new government as a result of the new government to be able to allocate the funds for the various projects contemplated by the earlier government, thereby the company watching closely for executing the project. As a result, we have not gone for aggressive execution in the AP projects, except where the material is ready, where the workforce is there, where missionary is there, to that extent we have executed. So, thereby in the first quarter the progress on the AP projects is very low, which impacted ultimately the top-line. So, besides the AP projects, the turnover again from two, three states, because of the election, because of this government's process of the bills are clearing the work front, some projects, particularly electrical projects in UP and Jharkhand also went on slow progress because of the non-giving of clearances and non-giving of the specifications, and also non-releasing the payments on account of that one electrical projects also got affected to certain extent. So these are the major two reasons which have the impact on the top-line of the company.
- Ashish Shah:** Sure. Sir, what would be the outstanding receivables from AP? And the value of orders which is cancelled, the entire Rs. 6,100 crores we had earlier indicated, is that been taken out from the order book that we have reported?
- Management:** Yes. Now whatever our YD Murthy told about the order book, Rs. 33,495 crores, so Rs. 6,100 crores one month back or so we have given the expected or likely cancellation of the orders. So now some of the cancellation orders or letters we received. So we have some hold letters we received, some canceled letters we received, all put together around Rs. 6,100 crores are there. So in the order book, we have adjusted Rs. 6,100 crores what we associated the same figure we have adjusted in the order book. And after adjusting the orders, now the other book as of...

- Management:** Ashish, we have adjusted the opening balance of the order as on 1st April, that's why it has come down to Rs. 35,121 crores. Proactively, even though some orders we have not yet received the cancellation letters from the government agencies, because the Rs. 6,100 crores is likely to be impacted based on the circular issued by the Chief Secretary Government of Andhra Pradesh, we have removed Rs. 6,100 crores from the opening order book. So, the residual order book is Rs. 35,121 crores.
- Ashish Shah:** That is as of March?
- Management:** As of 1st April, 2019.
- Ashish Shah:** Got it. Sir, on the question of the receivables and any other inventory, what is the total exposure as far as the working capital is concerned?
- Management:** As far as working capital is concerned, the exposure at that level is around Rs. 620 crores or Rs. 630 crores is there.
- Ashish Shah:** And this is net of any mobilization advance?
- Management:** This includes the receivables, retention money, work in progress, bill and minus mobilization advances.
- Ashish Shah:** And the mobilization advance would be how much?
- Management:** Rs. 494 crores.
- Ashish Shah:** So basically Rs. 620 crores is net of the Rs. 494 crores number?
- Management:** That's right.
- Moderator:** Thank you. Our next questions is from the line of Inderjeet Bhatia from Macquarie. Please go ahead.
- Inderjeet Bhatia:** The first question is on your guidance at the start of the year. You have indicated about a flat top-line. Do you think that some of the execution conditions are easing for us to kind of recoup the hit in quarter one to kind of get to flat revenues for the year? And related to that is, are you feeling confident enough to kind of start work in AP again or that is still on a wait and watch mode?
- Management:** Yes. See, first of all, even before the election results and AP government change, in our annual results conference call we already indicated we are looking at a flat top line as far as FY20 is concerned, mainly because in FY19 we have grown at 60% compared to the previous year, and we wanted to consolidate our operations. Now, because of the election there is a definite change. And in fact most of the projects in AP have come to a standstill as of now, and their contribution to the topline in FY20, we are also carefully examining. Now, without taking any turnouts from AP,

we are likely to achieve from the rest of the country whatever orders are there with us as on 1st April, we are confident we can deliver a top line of Rs. 11,000 crores. And the AP we have got residual orders of nearly about Rs. 12,000. At this point in time work is not happening, but we believe in a month or two after review by the committee execution will start in many of the orders, not only for us but for all the contractors in AP that review is likely to take place. And if that happens and if AP execution picks up and if contribution say about Rs. 1,000 crores or Rs. 1,500 crores in the current financially to the top line, we are confident we will be able to achieve annual turnover of about Rs. 12,000 crores to Rs. 12,500 crores in FY20, that is at par with a FY19.

Inderjeet Bhatia: Got it. Second question is regarding finance cost. Now, given that the revenue is flat, why has finance cost gone up meaningfully year-on-year? Is there an IndAS kind of an impact here, if you could just specify that?

Management: No, there is no IndAS. Actually, the debt has gone up by about Rs. 400 crores compared to what it was at the beginning of the quarter. And because of that the interest has gone up, plus also the interest on mobilization advance of about Rs. 31.6 crores is factored in the finance cost, it is not interest paid to the banks or the lending institutions, but interest paid to the claims on the mobilization advance.

Management: These increase are primarily because of the some non-payment from AP government and also certain delays in other places because of the elections. So as a result the debt has increased. That's only primary reason for the increase in the interest costs of the first quarter.

Moderator: Thank you. We will take our next question from the line of Ankita Shah of Elara Capital. Please go ahead.

Ankita Shah: Sir, how much do we expect debt to increase from hereon, given that already Rs. 400 crores has been increased in the first quarter?

Management: Sir, basing on the numbers, the momentum now within the company, we are not forcing any steep increase in the debt from this level in fact. We have a lot of receivables to get from the various clients which are happening now. So there is no any possibility for steep increase. And again, it depends upon the AP government payments. Considering that AP payments, whatever Rs. 400 crores, Rs. 500 crores now is there, if those payments at least happen even after two months, three months, four months, by the year end the debt may not increase much. At least we expect the stance at the present level.

Management: In fact, I think just to add to what Mr. Raju is telling, we started the year with an debt of Rs. 1,993 crores, now at the end of first quarter it is Rs. 2,400 crores, but we are targeting at the end of the financial year, that is March 2020, the standalone debt should come down to around Rs. 1,800 crores. So the increase that you are seeing now is one of a kind of a thing, and maybe it is the peak debt that we are talking about. Going forward once the receivables are received, payments are made by various clients across various divisions, the debt levels are going to come down.

- Ankita Shah:** So, largely this steep decline is where you are expecting because of improvement in receivables which would drive this reduction in debt?
- Management:** Yes.
- Ankita Shah:** And secondly, when is the resolution expected from for the AP projects, expected timelines?
- Management:** Yes. They have formed a committee which is a looking into the projects, they are calling for discussions. And in some cases the bank guarantees given by as earlier have come for extension, because the client is asking for the extension. Which means what? He wants to go ahead with the project. So some silver lining is definitely there. We are also carefully examining what is going to happen. Going forward, based on the expert committee advice some orders will be continued, particularly the capital city of Amravati.
- Ankita Shah:** Okay. And just last one, how much was the contribution of AP projects in this quarter versus what it was in the same quarter last year? And what is this increase in scope in orders that we have received in this quarter?
- Management:** In this quarter about Rs. 440 crores or so is there in the top line contribution from the AP projects. The previous same quarter also in the similar lines, probably Rs. 450 crores to Rs. 500 crores, not much big figure. That level is only there in the corresponding quarter of the previous year. For the new orders we received, new orders only from other places, Rs. 600 crores in this quarter. Now the Rs. 12,000 crores or something are there from the AP order including all, there won't be any variation from other than AP government, most of things are EPC contracts.
- Ankita Shah:** I didn't understand, sorry?
- Management:** We got these two orders, one in Bangalore Electricity Supply Company Limited about Rs. 195 crores; and the second one is ma Maharashtra Metro Rail Corporation about Rs. 163.8 crores, that makes it Rs. 358 crores. And the balance difference is a variation order given in several projects
- Moderator:** Thank you. Our next question is from the line of Vibhor Singhal from Phillips Capital. Please go ahead.
- Vibhor Singhal:** Sir, just for the benefit of all the participant or investors, would it be possible to break the Rs. 12,000 crores of orders that you have mentioned in AP? So how many of those orders come from those mass housing Pradhan Mantri Aawas Yojna Project, and how much let's say broadly from the Amaravati city projects? And are we seeing a slowdown on Amaravati as well as the housing projects? And what is your scenario on these two individual buckets of projects for the full year?
- Management:** Yes. Our starting order book as on 1st April 2019, the share of projects in Andhra Pradesh is Rs. 18,600 crores. Based on the government notification, around Rs. 6,100 crores is where work has not commenced, these are orders given to various contractors and are before 1st April, 2019, where

work has not commenced. For us that is about Rs. 6,100 crores. So we have reported completely proactively, even though we have not received a letter from the client. So that leaves an order book of Rs. 12,500 crores in AP. Now, this Rs. 12,500 crores, AP capital city, Amaravati city is about Rs. 6,500 crores, affordable housing projects given to us by APTIDCO, that Pradhan Mantri Aavas Yojna Projects are Rs. 4,975 crores. Other projects, water, irrigation, etc, is around Rs. 1,025 crores. So the total order book in AP at the beginning of the financial year is Rs. 12,500 after taking into account the cancellations.

Vibhor Singhal:

And when you mentioned that in AP the entire execution has come to a standstill, does it mean that Pradhan Mantri Aavas Yojna projects also are not seeing any execution? And just to understand their basically, what is the status of payments on those projects?

Management:

See, everything has come to standstill in AP, not only for us but all the contractors operating there, like L&T, Shapoorji, and various other firms as such. And government is reviewing. So things are in a fluid state at this point in time. Maybe a month or two. And they will be able to tell with confidence how much AP projects are likely to contribute to the topline in FY20.

Moderator:

Thank you. Our next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal:

Sir, are we changing any guidance on the order info for this? Because in first quarter we have hardly seen any orders coming in, and we also have order cancellation of Rs. 6,100 crores. So are we increasing our order intake guidance for the full year? And what would that number be?

Management:

Fresh order accretion for FY20 we are targeting about Rs. 14,500 crores that will remain despite a slow order intake in the first quarter of the current financial year. That is understandable mainly because of elections and various agencies were in election mode and not much tendering has happened. But based on the interactions with the various government agencies and particularly the central government, a slew of order flow is likely to happen once the people settle down, the new government settles down. So we are looking at good order accretion starting from September 2019. And we are very confident the targeted order the accretion of Rs. 14,500 crores for FY20 will definitely be achieved.

Parikshit Kandpal:

Sir, on Sembcorp and Taka, if can update what's happening there and how is the case moving ahead?

Management:

About Sembcorp this arbitration proceedings are going on, cross examination of the claimant has been completed, now the cross examination of these respondents for witness one I believe that is completed and the rest of the things are in progress. So again, the arbitrators sought for another six months time extension and according to that the duration of the time period available for closing the arbitration process is March 2020. So in the fourth quarter, we expect an outcome from the arbitration that is as far as for Sembcorp.

- Parikshit Kandpal:** By March 2020 you will expect some outcome?
- Management:** Yes, the arbitration award is likely to be given by March 2020. Both are Supreme Court retired judges, the arbitrators, they have gone to the High Court asking for the additional term of six months, that is likely to be granted whether the High Court.
- Parikshit Kandpal:** Then it shifts to September 2020 then, after six months extension?
- Management:** No, no, now they are supposed to complete by September 2019 based on the voluminous documentation available and based on the time constraints, and because they wanted to have a thorough study of all the documents, they wanted to six months extension. And accordingly they have made an application to the High Court. So March 2020, we are expecting the arbitration award.
- Parikshit Kandpal:** And in Taka?
- Management:** The matter is pending in the High Court in Singapore. What we are doing is background we started having the dialogue with the beneficiary of the petitioner award for an out of court settlement.
- Parikshit Kandpal:** What is the NWC days now and versus the March 2019 quarter?
- Management:** What is it?
- Parikshit Kandpal:** Networking capital days.
- Management:** Working capital increased in this quarter by about Rs. 400 crores plus. Working capital days are increased from 104 days to 139 days.
- Parikshit Kandpal:** Because there is Rs. 100 crores increase, almost Rs. 90 crores increase in loans and advances to the subsidiary. So, why is that? Because Rs. 1,478 crores is the loans and advances including investment subsidies versus Rs. 1,387 crores. Why is this increase?
- Management:** In this year one had lost, last year NCC Urban has paid the amount and NCC Urban borrowed the amount last year and cleared some of our advances. So now in the first quarter we have paid Rs.100 crores as a loan to the NCC Urban. So to compensate to the payment they made at the time. Now again, out of Rs. 100 crores in the July month they paid back about Rs. 30 crores, and another Rs. 70 cross they have some plans of sale of assets and also they have the loan tie-up with others. So from their business plan Rs. 70 crores and plus interest also will come back.
- Parikshit Kandpal:** Because as Rs. 100 crores we were expecting inflow this year from NCC Urban for monetization of real estate. So this transaction has been reversed. So will this Rs. 100 crores.
- Management:** This Rs. 100 crores plus this Rs. 70 crores, both the amount will come.

- Moderator:** Thank you. Our next question is from the line of Abhinav Bhandari from Reliance Mutual Fund. Please go ahead.
- Abhinav Bhandari:** Sir, trying to understand this Rs. 400 crores of debt increase which has happened. So, you said that you have done about Rs. 450 crores of work in a AP during the quarter, so no receivable or this entire receivable has happened from that amount or why is this increase even after the top-line is lower?
- Management:** Reduction of debt you are asking?
- Abhinav Bhandari:** No, increase of the debt I am asking despite a lower execution. So does one assume that the entire AP work that you have done during the quarter you have not received money for that and that is why this increase? Or there is some other?
- Management:** The main reason here is the receivables, whatever we executed in the fourth quarter of the last year, because of the election in the first quarter, the receivables in the normal course were supposed to happen, they will start to happen because of the elections. Particularly the electrical projects where REC has to pump the money in to the state DISCOM companies, that was not happen in UP and Jharkhand, which impacted the receivables collection about by Rs. 200 crores. In AP also no payment was made after the 1st April, there are also Rs. 200 across payments were held up. These two primarily affected impacted increase in my debt portion from Rs. 2,000 crores to Rs. 2,400 crores. So mainly, the slow collections are non-collections of the receivables.
- Abhinav Bhandari:** Sure. The second question was on this Rs. 6,500 crores Amaravati capital project that you mentioned is still in the order backlog. Today in the newspapers there was some article on the CM looking to scrap this as well. So have you received any communication on this front?
- Management:** No, not received. We are also waiting. They may call us for a dialogue. But the affordable housing projects we are already having a dialogue with the state government.
- Abhinav Bhandari:** Sure. And on the CIDCO order, the four packages which were been announced, we were L5 in all the four. Any color on that if you could help us give in terms of whether you think the bidding was aggressive, or what happened that we were L5 in all the four packages?
- Management:** See, there are four packages and they are five bidders. It so happened that one contractor was already executing some projects in that area, so he must have seen some advantage to bid a bit more aggressively. And others are, again, Bombay based construction companies. And maybe because of the advantage of location they might bid a bit aggressively. These kind of things do happen in bidding, nothing to worry about. Other packages are likely to come in CIDCO and elsewhere, we will definitely participate.
- Abhinav Bhandari:** Sure. And one last question on NCC Urban, if you could help us understand what you are saying in terms of this Rs. 70 crores coming back and on top of that another Rs. 100 crores of repayment

happening to the parent. So if you can guide us as to what are the things that the management is targeting? Or what are the monetization plans that we have which would bring this money back to us?

Management:

First of all, you see our subsidiary was a difficulty because they have to make some external payment. And we wanted to see that they don't default on the due date, even for group company defaults we will have a problem and we wanted to avoid that come what may. That's why the parent company still they loan Rs. 100 crores to NCC Urban in the first quarter of the current year. That's why loans and advances to group companies has gone up. Now they are repeating that. And also they identified land parcels for sale, in fact last year they repaid loan of Rs. 134 crores. And of course, we gave them again Rs. 100 crores, but on a net basis the debt has come down by Rs. 34 crores. Now again in the month of July they paid again Rs. 30 crores. Now they have got very good land parcel at Kakinada which we are planning to monetize to a public sector undertaking. And because of this RERA and demonetization these things could not take place. And they have plans to do that and also they have some inventory of developed apartments for sale in Hyderabad and elsewhere. And those monies will also be available to them. And out of cash flow generated in the company, one by sale of the land parcels, the matured land parcels and as well as sale of the apartments which are ready for occupation, they will generate cash flows and repay Rs. 100 crores of additional loans this year, and the balance Rs. 70 crores again earlier.

Abhinav Bhandari:

Okay. So, in this year apart from this Rs. 170 crores what else is lined up in terms of monetization, which we can expect?

Management:

See, we are usually monetizing the CCDs in Tellapur Technocity. Already the CCDs in Indian company as well as CCDs with Mauritius have been monetized. The company NCC, the parent company got back about Rs. 72 crores to Rs. 73 crores of money at both the places put together.

Moderator:

Thank you. Our next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar:

Sir, a couple of questions from my side. We had pretty good EBITDA margin this quarter, so was there a one-off in it or is this just usual quarterly variation which came this quarter?

Management:

This quarter we have certain positive things happening in electrical division and building division, apart from the normal models. So, in this quarter about 2% to 3% gross margin improvement happened because of some disputes or differences with the client's of the company. On electrical division about Rs. 25 crores and another two instances in building division about Rs. 15 crores. These are the positive settlement to happen and which help this company to report to high gross profit margin in this quarter. So, it depends upon how the various disputes, differences settle with various clients, in which quarter they get settled, this a mix of the various projects, mix of the various divisions. So always the margins 2% to 3% is upper side or downside always possible to move.

Management: But Parvez, last year we have reported EBITDA of 11.8% and current year first quarter 12.2%, but its slightly on the higher side mainly because of the reversal of liquidated, I mean, this was earlier put in our books in reverse bid. But going forward FY20 also, despite a slogan despite difficulties in AP, we are confident that we will be able to maintain a EBITDA margins between 11.75% to 12%.

Parvez Akhtar: That's great. And secondly, if you could give us some update on the MDO project that we have?

Management: MDO project in West Bengal, the project was started last year as per the timeline declared by the WBDCL. So in the first quarter also the progress production happened. So, now it is a rainy season, the production is stopped now. And two to three performance obligations to be completed by the West Bengal Power Development Corporation to extort coal and transport up to the railway siding. So some up gradation railway siding and conditioning of the transport road, these two things are still pending and they are doing now. So once those clearances are given, the coal will be started and transported to the railway siding. So small, small these types of issues are there. And once obligations what are to be performed by WBDCL is completed, the production as per the scheduled production whatever is given in the document that will be achieved. So all these small, small permissions, approvals, teething problems, gradually they are addressed. And now locals are also supporting, and except some two to three things, other things are in place.

Moderator: Thank you. Our next question is from the line of Denil Savla from Aditya Birla Capital. Please go ahead.

Denil Savla: I just wanted to know if you can split your receivables in terms of retention money and the actual receivables.

Management: Receivables outstanding is Rs. 3,202 crores, whereas retention money outstanding is Rs. 2,249 crores, it is a separate item.

Denil Savla: Okay. And sir, how is your moment in receivables where the receivables are stuck for more than one year? There were few of the receivables which were shut for more than one year, so just wanted to check how is the movement over there? I mean, have we received any money from there?

Management: The receivables more than two years, there is somewhat Rs. 10 crores improvement is there. And the receivables more than one year, more than one year to two years, whatever some of the amounts were collected. But again, some of the amounts gone for participate in the one to two years. So, overall there is an increase happening in the receivables in the first quarter particularly because of the elections and the slow movement at the departments. Going forward we hope that some improvement will happen in the receivables.

Moderator: Thank you. Our next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Good evening. Thanks for taking my questions. Sir two questions. One was, essentially on this Andhra orders we would have used for some of our BG limits to kind of get these orders, so what would that number be? I mean if I were to compare with my total limits, how much would that be?

Management: See, when the orders have cancelled we are getting back the performance BGs given by us to the client, and they are going for cancellation to the bank. So in fact it is a silver lining. But the orders in Andhra by and large, the performance for BG requirement is only 2.5%, as against normal of 10%. So assuming Rs. 6,000 crores is cancelled, about Rs. 150 crores of bank guarantees are likely to be returned to us for cancellation. That process has started, already some guarantees have been received.

Prem Khurana: But I think somewhere earlier in the call you are seeking some extension in BG?

Management: See, I am talking about the orders which are cancelled, or likely to be cancelled. Whereas orders which we are running where we have done 25% work or even more than 25%, and claimed after that for extension of BGs.

Prem Khurana: Sure. And this number would be not similar, I mean, in terms of 2.5% of the remaining Rs. 12,000 crores which would be paid with the client?

Management: Yes, mobilization advances will also be there because work is going on. Some has been recovered, that is like a flu, its going on.

Prem Khurana: And on debt you said you would be able to kind of maintain your debt at similar levels, I mean, you don't see any steep jump in the number. So when you say, I mean, when you give us this comment how much of money would you have kind of assumed that would come to you from Andhra, I mean, stuck money around Rs. 620 odd crores of exposure that you have, is it there in this number when you say the number would remain at similar levels, are we assuming any money to come to you from Andhra or is it you are seeing collections from your other orders to kind of help you maintain this number?

Management: No, apart from the Andhra we held the collections pending from other states also, from Telangana some collections to come and some Uttar Pradesh and some Jharkhand, in those states also some beyond three months, five, six months receivables are there. Now the focus is made on that one closely we are in touch with the senior authorities and the slowly collections are coming. So even Amdhra is pending for two to three months, but once these collections happen it helps us to maintain at this level. And once Andhra collections come it helps us even to reduce the present level to Rs. 2000 crores, Rs. 2,100 crores level. So we have several options are there.

Moderator: Thank you. Next question is from the line of Anupam Gupta from IIFL. Please go ahead.

Anupam Gupta: Sir, on your mobilization advances you said are interest bearing, so what is the total mobilization advance number and how much of that is interest bearing? And what is the interest on that?

Management: Rs. 1,487 crores is the outstanding of mobilization advance as of 30 June, 2019. Out of which 80% are interest bearing and 20% are non-interest bearing. The interest cost on an average about 10%, 10.5% would be there.

Anupam Gupta: And your average cost of debt is how much?

Management: About 9.8%.

Anupam Gupta: Okay. So as per you, you saw interest cost increase in this quarter, what would be the run rate of interest cost given that mobilization advance is sitting there, what should be the run rate for the full year?

Management: Rs. 125 crores is now for the first quarter. So we expect that the interest cost would be in the same level or a little bit low for the year as a whole. But in terms of percentage because of the increase in turnover in the first quarter, in terms of percentage it comes in absolute terms its more or less it would standard at the same level.

Management: And also, Anupam, you have to keep in mind what we are talking is the finance cost, it includes BG commission, LC commission, interest paid on mobilization, if the bidding picks up, new orders are there being received. So more guarantees will be taken and more BG commission has to be paid. So all these have to be carefully factored in. But finance cost, we want to keep it around 4% to 4.5% of the turnover of the company. Last year we issued 3.7%, but this year it is quite challenging to maintain that ratio. But definitely we are also carefully observing how the finance cost is moving. And because of the recent traction the interest rates are going to come down further based on our rating and based on our standing with the banking system. We are expecting some improvement downward trend in the interest rate also.

Anupam Gupta: Okay. Understand. And the second question is, so you have Rs. 10,500 crores from AP of which let's say Amaravati there's a high chance of cancellation because what we are hearing in these articles. Balance Rs. 6,000 crores what is in your view number which will stay with you?

Management: See, it is very serious and very difficult to say at this point in time. Already Rs. 6,100 crores we have cancelled in the order book proactively, now we are left with Rs. 12,500 crores. Out of that capital city is Rs. 6,500 crores where substantial work has been completed. Some other projects 30%, 40%, 50% work is completed. So for example, the housing project where we are building MLA quarters, we are building for the IAS officers, they are always progressing quite substantially. And others are also doing, like assembly buildings, secretariat buildings, High Court buildings, etc. I don't think they are going to be cancelled, because even that will be very counterproductive for the state government. Ultimately all said and done each state requires capital, and already when 40%, 50% work is done in the capital city, and that too done by some of the best contractors in the country. There is a review I agree, but work is likely to commence in maybe about two to three months' time. Anyway, we are carefully observing the situation how it is panning out.

- Anupam Gupta:** Okay, I understand. Thank you.
- Management:** To all the participants, this will be the last question.
- Moderator:** Thank you. We will take our last question from of Jiten Joshi from Bank of Baroda. Please go ahead.
- Jiten Joshi:** Sir, coming back to the AP project. Sir, we recently saw withdraw of funding from the World Bank and Asian Banks. So how would the funding happen for these projects, so that we see there is some positive light ahead. How will the funding happen, state government is also facing funding issue.
- Management:** Yes, we also read that in the papers. In fact, the budget of the Government of AP also allocated only about Rs. 500 crores for capital city works. But recently the AP government has requested both these multinational agencies to have relook the funding program they have for capital city works. The revision petition request is being filed by the state government with the approval of the central government. And a delegation is likely to go and make a presentation to both these agencies, World Bank and the ADB to see that to revise the order given by them earlier. And also the central government is also willing to support the state government in terms of capital city works, particularly for core capital city works which are awarded. So, all these particular we are confident going forward funds will be available for the capital city works, and works are likely to commence once again.
- Jiten Joshi:** It seems to be very challenging, anyway. Sir, what about the bank guarantee, so what is our enhance limit? Because I think we were finding it difficult to get the enhance limit for BGs and non-fund based and fund based limits. So are we getting from the existing construction or we are adding more construction?
- Management:** We are adding some new banks also, we are adding about Rs. 9,000 crores of BG and LC limits, now it has gone up to Rs. 9,600 crores limits of their, quite substantial. Recently we inducted IndusInd bank into consortium with a share of Rs. 300 crores. And some of the existing banks have also given their enhancements to us. The joint documentation has been done for Rs. 11,658 crores, including fund base limits. And our request with some banks are pending at the board level, and the required sanction is also expected maybe in a month or so.
- Jiten Joshi:** So you said Rs. 11,658 crores is total, which includes Rs. 9,600 crores non-fund based limit?
- Management:** Yes, exactly. Fund based it is about Rs. 2,200 crores.
- Jiten Joshi:** Sir, standalone order backlog, can you just tell us?
- Management:** We have told already.
- Jiten Joshi:** Standalone sir, I got the consol.

- Management:** Yes, standalone includes about Rs. 33,140 crores is there.
- Moderator:** Thank you. I would now like to hand the floor back to Mr. Vibhor Singhal for closing comments. Over to you, sir.
- Vibhor Singhal:** Thanks, Sir, just one last question which I think some of the investors wanted to ask, what is our CAPEX guidance for this year and next year?
- Management:** Rs. 250 crores in FY20.
- Vibhor Singhal:** Thank you so much. Thank you so much to the NCC management for giving us the opportunity to host the conference call. Sir, would you like to make any closing comments?
- Management:** Yes. We thank all the participants for their enthusiastic participation. We also thank Phillip Capital and Vibhor Singhal for hosting the call. And participants, for any questions, they can send us an email or talk to us separately over landline. Our members are already available to most of the participants. And once again, I thank everyone and conclude the session.
- Management:** Thank you all.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Phillip Capital (India) Private Ltd., that concludes this conference. Thank you for joining us and you may now disconnect the call.