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National Stock Exchange of India Ltd

Exchange Plaza, C-1, Block G

Bandra – Kurla Complex

Bandra (E)

Mumbai-400051.

Symbol: NCC

BSE Limited

Phiroze Jeejeebhoy Towers

Dalal Street,

Fort

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Code: 500294

Dear Sir(s),

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

Please find enclosed herewith the transcript of the earnings audio conference call that took place on November 7, 2024, with analysts discussing the performance & financial results of Q2 of the FY 2024-25. 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.

Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC Limited

Sisir K Mishra

Company Secretary

Encl : As above



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(Formerly Nagarjuna Construction company Limited)

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“NCC Limited Q2 FY25 Earnings Conference Call”

November 07, 2024



MANAGEMENT: **MR. R. S. RAJU – DIRECTOR OF PROJECTS, NCC LIMITED**
MR. SANJAY PUSARLA – EXECUTIVE VICE PRESIDENT, FINANCE AND ACCOUNTS, NCC LIMITED
MR. NEERAD SHARMA – HEAD, STRATEGY & INVESTOR RELATIONS

MODERATOR: **MR. VAIBHAV SHAH – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day, and welcome to the NCC Limited Q2 FY25 Earnings Conference Call hosted by JM Financial.

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 this conference, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Shah from JM Financial. Thank you, and over to you, sir.

Vaibhav Shah: Yes, thank you, Dorwin. On behalf of JM Financial, I welcome everybody to 2Q FY25 earnings conference call of NCC Limited.

We have from the Management today, Shri R S Raju - Director of Projects; Shri Sanjay Pusarla - Executive Vice President (Finance & Accounts); and Shri Neerad Sharma – Head (Strategy & Investor Relations).

Now, I hand over the call to the Management for “Opening Remarks” and then we can have a Q&A session. Over to you, sir.

Neerad Sharma: Thank you very much, Vaibhav. Good evening everyone. At the very outset, I thank each of you for taking out time to attend this interactive meeting.

I have with me my colleagues, Mr. R.S. Raju – Director of Projects and our CFO, Mr. Sanjay Pusarla.

Today we have declared our results for the 2nd Quarter of the current Financial Year. Hope you had an opportunity to download and study the results and the investor presentation that we have uploaded on our website and shared with the stock exchanges.

Before I begin the interactive meeting, I will read out the disclaimer. This presentation may contain forward-looking statements concerning NCC's future business prospects and business profitability, which are subject to a number of risks and uncertainties and the actual results could materially differ from those in forward-looking statements. The risks and uncertainties related to these statements include but are not limited to risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, competition, both domestic and international, economic growth in India, and ability to attract and retain highly skilled professionals, time and cost overruns on contracts, our ability to manage operations, government policies, and actions with respect to investments, fiscal deficits, regulations, geopolitical risks, interest, and other fiscal costs generally prevailing in the economy. The past performance of the Company may not be indicative of the future performance of the Company.

This interaction is broadly divided in three parts. In the first part, I will talk about the brief Business Environment and the Prospects of our Company. In the second part, I will request our CFO to give a detailed Presentation on the Financial Performance of the Company. In the third part, we will attempt to answer all your questions and clarifications.

We are seeing a very healthy pipeline of future prospects. As we speak, we have a prospective project pipeline of more than Rs 2,10,000 crore. We are currently sitting on an order book of Rs. 52,370 crore. I also take this opportunity to reiterate the guidance that we have shared with the market participants. The first guidance that we have shared with the street is order inflow of Rs. 20,000 to Rs. 22,000 crore, revenue growth of 15% upwards and EBITDA margin of 9.5% to 10% in the FY25.

Now I will touch upon very briefly on our important divisions:

In our buildings and transportation division, we continue to see good traction and healthy pipeline of projects. We are sitting on an order book of Rs 19,486 crore which is about 37% of our total order book. In the second large division we have an order book of Rs 11,151 crore that is about 21% of our total order book in the transportation division. The third largest division that we have is our electrical division (T & D). In this division, we have an order book of Rs. 10,931 crore as of September end, which is about 21% of our order book. The fourth large division that we have in our Company is our water division. It has an order book of Rs. 6,071 crore, which is about 12% of our total order book.

The flagship scheme of Government of India, Jal Jeevan Mission that has been launched in partnership with the states continues to be in full operation. This scheme has been planned with an outlay of Rs 3,60,000 crore and this scheme has been given a very healthy allocation of Rs. 70,163 crore for the current financial year by the Government of India.

Now, I will hand over to my CFO – Mr. Sanjay Pusarla to talk about the detailed Financial Performance of the Company for the current financial year. Hand over to Mr. Pusarla.

Sanjay Pusarla:

Thanks, Neerad. Good evening to all of you. This is Sanjay Pusarla – CFO from NCC Limited. I am pleased to announce the Financial Results of Q2 of Financial Year '25. My announcement will be in the order of order book, revenue, profitability, debt movement and some of the important balance sheet metrics.

To start with the Order Book:

Our order book stands at Rs. 52,370 crores as at the end of September 24. You are aware the order book at the beginning of the year is at Rs. 57,536 crores and orders received during the H1 is Rs. 5,168 crores of which Q1 includes Rs. 408 crores and Q2 includes Rs. 4,760 crores. After

the execution of Rs. 10,334 crores of work during the first half of the year, the order book stands at Rs. 52,370 crores.

Coming to the Revenue:

We will talk about the standalone. The budgeted turnover for the quarter is Rs. 4,857 crores and against this we achieved a turnover of Rs. 4,445 crores which is 92%. And against 6 months, that is period ending September, we achieved a turnover of Rs. 9,158 crores as against Rs. 9,362 crores which is almost 98%. When it comes to consolidated, the budgetary turnover for the quarter is Rs. 5,425 crores. And against this, we achieved a turnover of Rs. 5,196 crores which is 96%. And against 6 months that is ending September 24, we achieved a turnover of Rs. 10,724 crores as against the budgeted turnover of Rs. 10,545 which is 102% of the budget.

Next coming to the Profitability:

At the standalone level, we achieved a gross margin of 15.15% for Q2 as against 11.70% of the corresponding quarter of the previous year. And for H1-25, we achieved a gross margin of 14.96 as against 13.44% in H1 of the previous year. At the consolidated level, we achieved EBITDA of 9% and PBT of 4.9% and PAT of 3.6% in the current quarter Q2 as against EBITDA of 6.5% and PBT of 2.3% and PAT of 1.6% of the corresponding quarter. The main reason for the reduction in Q2 of FY25 compared to Q2 of FY24 is on account of lower turnover in our water project in UP as explained by Mr. Neerad before, due to unprecedented rainfall, lower turnover in one of the project, Mallad project in Maharashtra due to the rains, and also granting of approvals and delay in the granting of permission for cutting the mangroves there and also lower turnover in the Smart Meter projects.

Coming to the debt movement:

The debt at the beginning of the year stood at Rs. 1005 crores and net debt after cash and cash equivalent is Rs. 518.36 crores. At the end of Q1, it stood at Rs. 1,820 crores and net debt at Rs. 1,679.56 crores and at the end of the Q2, the same is standing at Rs. 1,732.70 crores and net debt is Rs. 1,624.36 crores. There is a reduction in debt levels by Rs. 87.03 crores compared to the earlier quarter. The debt equity ratio stands at 0.25 at the end of Q2 as against 0.26 at the end of Q1.

Coming to the working capital:

Working capital at the end of Q2 stands at Rs. 4,987 crores which is 27% of the turnover and in terms of working capital days, it is 87 days and it is calculated after excluding cash and margin money deposits.

Coming to the debtors:

Outstanding at the end of Q2 has come down from Rs. 3,654 crores at the end of Q1 to Rs. 2,793 crores and the number of days also has come down from 85 days to 65 days in the current quarter. The unbilled revenue stands at Rs. 5,220 crores which is 29% of the revenue for Q2 as against Rs. 4,790 crores at Q1. The reason for increase is in UP projects where we have billed them about Rs. 400 crores in the next month i.e. October and realized the money also.

The mobilization advances stood at Rs. 2096 crores as against Rs. 2417 crores in the previous quarter showing a recovery of mobilization advance by Rs. 321 crores. This is also another reason for rising reason of debt levels. It is standing at 11% of turnover as against 13% of the previous quarter. Of these mobilization advances, 81% are interest bearing and the average interest rate comes to around 9.5%.

Coming to the CAPEX:

We have incurred a CAPEX of Rs. 143 crores in the current financial year up to end of September 24.

So, next coming to the investor-related ratios:

The ROE stands at 13.61 as against 14.04 at FY24 end. Return on net worth against PBT is 14.02 as against 13.88. Return on net worth against PAT is 10.44 as against 9.62. EPS stands at Rs. 5.80 paisa as at the end of Q2 for March that is the year end, it is Rs. 10.10 paisa. Book value per share is at Rs. 112, as against Rs. 108.50 paisa at the Financial Year '24 end.

With this, I conclude my presentation on the financials for the quarter two. Thank you. Back to Mr. Neerad.

Neerad Sharma: Now, we will take any questions, clarifications that you might have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Just to recheck, you are maintaining the previous revenue and EBITDA margin guidance I understand. So, just to recheck on that, if I look at 15% revenue growth, we need a (+17%) kind of revenue growth in the second half and in terms of the margin level, we need at least 9.7% to 10% kind of EBITDA margin in the second half. So, are we confident that we will be able to do that?

- R. S. Raju:** Now the guidance what we given at the beginning of the year and we are still confident to achieve the guidance what we given. As far as order book guidance is concerned, we have given about 20,000 to 22,000. So, though the order book in the first half year is lower than what we supposed to do, but the kind of the pipeline of the orders giving a good confidence to us to achieve easily the 20 to 20,000 crores. Even there is a good visibility to surpass the limit what we given for the order booking. As far as invoice booking is concerned, as in the first half year we achieved 13% that you know already we explained. Particularly in the 2nd Quarter because of the rains and floods, we couldn't achieve because of the difficulties happened because of the heavy rains in the season. So, in the second half, so whatever 15% is there, we easily achieve, but the 2% whatever is there, now the backlog, that also we are confident we achieve that one. And ultimately at this moment, we are confident we achieve 15% guidance whatever is given for the invoice booking. As far as EBITDA margins are concerned, as we've given 9.5% bottom lower band. And in the first half year, we achieved about 9.2% in EBITDA. So, in the second half, we are sure to achieve 9.5% lower band. But what our backlog is there for the first half year, the 0.3, is to be seen that how far we able to achieve 9.8 or 9.9 to make it as 9.5. But at this moment, we are able to achieve 9.5% in the second half year.
- Shravan Shah:** Just to clarify sir, in terms of the order inflow including the October 1 is I think 8660 odd and L1 is how much sir, Rs. 8700 odd crore?
- Neerad Sharma:** The total L1 value would be as of September end would be let us say that close to more than Rs. 9000 crore. And Shravanji, if I may add one point, you talked about the submissions that we have made for the month of October. If we really add these two numbers, we have already achieved about 41% of the lower band. If you really include the announcement that we have made for the month of October, the total order book is 8,256, which is about 41% of the lower band. So, we are on the journey. And I think we don't see any reason to revise the order inflow guidance that we have shared with the trade.
- Shravan Shah:** Sir, just a couple of data points just to get it from you. One is how much is retention money and loans and advances and the investment in subsidiaries and associates. So, exposure to associates and subsidiaries is how much?
- R. S. Raju:** Investments, there is no surging from the previous quarter. It is now standing at Rs. 2034 crores, against Rs. 1033 of the previous quarter. And the loans, loans now standing at Rs. 381 crores as against Rs. 361 crores of the previous quarter, about Rs. 20 crores increase. Inventories Rs. 1,469 crores against Rs. 1,304. Trade receivables, they're there.
- Shravan Shah:** Yes. Sir, I have that. I need retention money.
- R. S. Raju:** Retention money, we have about Rs. 1,583 crores against Rs. 1,530 crores. It is almost a quarter one and quarter two. What else you want?

- Shravan Shah:** And the debt level previously you mentioned by end of the year we will be reaching to Rs. 500 odd crore versus Rs. 1730 odd crore. So, that stance remains the same.
- R. S. Raju:** At this moment, that stance there is no change. As you are aware, generally the collections are good in the fourth quarter. And this is what makes us believe that we should be able to hit that number.
- Moderator:** Thank you. The next question is from the line of Parth Thakkar from JM Financial. Please go ahead.
- Parth Thakkar:** My first question is, what are the outstanding receivables from AP and how much recovery are we expecting in 2H?
- R. S. Raju:** As far as the AP projects are concerned, there are two categories. One is capital city projects and other category is running projects. So, we have received nearly Rs. 220 crores in the last two months from the AP government towards the running projects. As far as capital city projects are concerned, the outstanding is about approximately Rs. 150 crores is there. That also we expect to receive. There is a good movement and discussions going on with the client. And before March of this fiscal, we expect to receive that amount. So, as far as any other points you have on the AP projects?
- Parth Thakkar:** My other question is can you help me understand what is the pending real estate deal and the land that we sold in Vizag?
- Neerad Sharma:** If you could please repeat your question sir. I think you are talking about the Vizag real estate deal.
- Parth Thakkar:** Yes.
- Neerad Sharma:** What remains to be received from them, we have received most of the payment. What remains to be received is about Rs. 23 crore. This is what we had disclosed in the last quarter. What remains to be received from them is let us say that negligible amount of Rs. 10 crore and with that receipt it is also important to understand that we have received the full payment as far as the equity portion of that project is concerned.
- Sanjay Pusarla:** Another Rs. 15 crores from the loan given to them and that loan is an interest bearing loan.
- R. S. Raju:** They started paying the loan amount. Since there is some progress, some sales are happening out of that the consideration what they received, they started paying the loan about Rs. 15 crores we received in the last month.

- Moderator:** Thank you. We have the next question from the line of Prithvi Raj from Unifi Capital. Please go ahead.
- Prithvi Raj:** Could you give some color on, in which geographies are you seeing higher projects that are being awarded? Is it central government? Is it state government? Can you throw some color on what kind of projects are you getting?
- Neerad Sharma:** Are we getting, Mr. Prithvi, are you asking about the projects we are getting or bidding?
- Prithvi Raj:** Yes, that's right. The projects which are in the pipeline, and which are being awarded now.
- Neerad Sharma:** See, primarily we are getting projects. We have shared one slide. I would encourage you to download and see the slide. But we have received few projects from the state of Maharashtra. We have also received few Jal Jeevan Mission projects. Going forward, we expect a very healthy pipeline of projects, more than Rs. 2 lakh crore, to be exact, Rs. 2.10 lakh crore pipeline of projects to come up for bidding. Primarily, it would come from four divisions, buildings, transportation, water and electrical T&D and we might get few projects in the irrigation and mining as well.
- Prithvi Raj:** And then one specific question on AP, are you seeing any traction there when you're having conversations with the state government?
- Neerad Sharma:** We are hopeful. They have initiated the whole process. And we have been given to understand that the previous project they are planning to close. And they will start the process of award soon. So, as per the information that has been made available to us, we should be able to see concrete action by Q3 or Q4 of the current financial year.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir, first question is on the prospect pipeline. You said that 2 trillion almost 2 lakh crores for the business. I understand for the next 6 months, right?
- Neerad Sharma:** Yes, but maybe few states difficult to predict subject to the elections. You are aware that elections have been announced in two of the key states. But yes, overall in the six months or this could also spill to nine months also, depending on the new government that comes to the power, their priorities, their preferences.
- Parikshit Kandpal:** So, you said that you already got the financial year till date about Rs. 8,256 crores and you are sitting L1 at Rs. 9,200, so approximately you have Rs. 17,000 crores plus kind of projects already in the kitty right?

- Neerad Sharma:** That is right.
- Parikshit Kandpal:** So, balance 2 trillion when you are bidding. So, typically, when you look at your historical bidding ratios, so what kind of conversion have you seen? For the rest of the year, when you are targeting, so Rs. 20,000-Rs. 22,000 crores, do you think there is a decent possibility of this number exceeding like Rs. 30,000 crores of inflows, given that you are talking about a very large number of 2 trillion for the rest of the year?
- Neerad Sharma:** Two questions, firstly, there is no fixed percentage. It really depends on the lumpiness of the contract. Generally, this number would vary for 10%-15% anywhere in that range. It really depends on the lumpiness of the contract. What I essentially mean by that is let us say that there are few very large projects, Rs. 25,000 crores we have seen, very big projects like bullet train, so big packages if we win or lose, this will change the percentage drastically. So, this is the range that we have seen in the past.
- Parikshit Kandpal:** So, 10% itself will mean around 20,000. So, that means, are you targeting almost another Rs. 20,000 crores of inflows for the rest of the year?
- Neerad Sharma:** But we are not very sure whether that will really get converted into contracts or not. You have seen that there is a delay. There is a timeline between L1 and the formal award of the contract, receipt of the LOA. So, it is really difficult to predict a timeline. This is not something that is really in our span of control, this is a call that our client has to take. We have seen in the past that the L1 announcement is made and it takes a substantial amount of time to receive the LOA. So, that is the reason we want to be a bit on this side.
- Parikshit Kandpal:** Just on this advances loans, now you said equity portion has come in for the DP project, sorry I could not get, what is the total quantum of loans which were there and how much we have received and what is the timeline for the balance to come in?
- Neerad Sharma:** I think the loan is close to Rs. 477 crore which is expected to be paid out in the next 2 years.
- Sanjay Pusarla:** No, it is 320 plus another 64, Rs. 384 crores including the interest that is outstanding. And this year we have already received around Rs. 15 crores and it is expected that we will receive the balance money also the next couple of years. As Mr. Raju has said before, there is a traction going on there and now the sale is also happening and we are expecting that the market will improve there because it is near to the airport which is coming up in Vishakhapatnam. So, likely that these sales will happen and we also have an understanding with them whatever sale that happens that they need to share the money with us through escrow mechanism. There is escrow mechanism in place. Whatever sales happen will go to the escrow account and we will get paid. The time frame is 2-3 years.

- Parikshit Kandpal:** 384 is right now the current outstanding right after you have received the Rs. 15 crores.
- Sanjay Pusarla:** 380.
- Parikshit Kandpal:** After receiving the Rs. 15 crores which you spoke about?
- Sanjay Pusarla:** No, after that we received Rs. 15 crores that means 365 is the outstanding.
- Parikshit Kandpal:** Sir, just on the building segment, if you can help us understand how much, is it all the government projects or do you also have some private projects, private residential projects in that?
- Neerad Sharma:** There are some projects from the private sector as well. There are some data centers from one of the leading power producers. We have some contracts in the building division from the private sector as well.
- Parikshit Kandpal:** But you are not looking at adding more projects on the private sector because given that we have a strong presence in the building segment and there is shortage of good quality contractors in the private real estate, which is now doing well. So, do you think there is an opportunity for us to again look at that segment and add incremental orders?
- Neerad Sharma:** We are always open to look at the private sector contracts in the building space. It depends on what kind of projects are coming? What is the value of the projects? What is the location of the project? Who is the project proponent? Depending on that, we do a thorough risk assessment and then decide whether to bid or not.
- Parikshit Kandpal:** But often talks with developers, leading developers like **L1_30.51** developers, are they considering you for their projects like residential, private residential?
- R. S. Raju:** Yes, we are right about our participation in the private sector and we have internally taken not to participate in the private sector. Only in exceptional cases where the client is good, where the business relationship is there, so only in exceptional cases, after evaluating thoroughly about the clients, our private clients, performance and payments, then only we are entering. That is why the order book is also not much. It is hardly 2%-3% of the total order book.
- Parikshit Kandpal:** Sir, just one more question. We have a very strong balance sheet now, you have settled some claims, you have received some money, we are receiving the real estate monetization money, so we are talking about Rs. 500 crores of debt by the CRM, but when I look at the order inflows, you talk about very robust prospect pipeline of 2 trillion, you have already got 17,000 and potentially if your conversion at the lower end happens, you are looking at another Rs. 20,000 crores for the rest of the year, even if it fits in L1. So, in the past, we have had the best year in

order inflow was about 27,000. We have been doing 25 to 27 for some time, but do you think now the time has come given the balance sheet is strong? Now this can be really taken up because we are a very diversified player and can this number now start going up much higher, like if you are able to convert this year, it could be potentially very close to about Rs. 35,000-Rs. 40,000 crores of inflows. Even if it is since an L1, do you think you have that scale and capacity now to execute that kind of scale?

R. S. Raju: Yes, you are right on that point of view. And in the same similar line also the management is working to expand its business. So, at the same time, already in the last 2-3 years, the Company increased its turnover, you have seen this average ratio, compounding average ratio of the last 3 years in vice-versa, about 35% is there. So, we have grown to a particular level. From here again, growing to that level, we have to consolidate the business and strengthen all the department. That process is going on. And one way also the management is looking to expand and there is also chance to even book beyond 20,000, 25,000, 30,000 orders also since market also opportunities for themselves is there. Both the ways we are looking that one. So, it is not that only we confined to 20,000 or 22,000.

R. S. Raju: So, that is the reason actually that guidance we said we are strongly that we believe that we will be able to achieve minimum guidance.

Parikshit Kandpal: And this, I think Neerad earlier spoke about some bullet train projects, so which is this 25,000 crore project in that pipeline? And if you can name a few large projects in that 2 trillion pipeline, which you spoke about?

Neerad Sharma: No, Parikshit, I did not mean that. What I was trying to do was to explain to you that how this percentage could vary widely. There is no project line of the bullet train of Rs. 25,000 crore on the horizon. It was in the past.

Parikshit Kandpal: But this 2 trillion, what are the larger opportunities, like, which are the larger projects that you have come up with in your prospect?

Neerad Sharma: The projects, I couldn't identify, but I will talk about the sectors, for example, the metro projects, all the length and breadth of the country, there are metro projects coming up. There are also plans to lay new railway lines. So, these kind of projects, there are projects planned in the water space, RDSS, lot of projects are expected to come up for transmission and distribution. So, these are the verticals that have most of the projects in the pipeline.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi Shares & Stock Brokers. Please go ahead.

Prem Khurana: Sir, I have two questions. One was, would you be able to share some more on the L1 pipeline that you have almost around Rs. 9,000 odd crores, which all segments were taken? What do you think you would, the BharatNet phase bringing awards, is there anything to say about that?

Neerad Sharma: The first question, Mr. Khurana is, as a matter of policy, we do not really talk about the L1 project except to share the value. We do not know by what time these L1s are going to get converted into LOAs. So, we just talk about because we were asked these questions, so we have put it in number. But yes, this project that you just talked about is Bharat Broadband Net, we also got to know about these L1 projects. So, unless and until we receive a formal communication from the client, we do not really wish to announce that.

Prem Khurana: So, does it mean that we are saying that this 9000 would not include any of these news that has been there in the market because you have yet to receive any communication, and it is still not a part of this?

Neerad Sharma: No, but L1 I shared, we have not, we don't share the details of all the projects, but this is part of the total value that I just. And I said this is upwards of Rs. 9,000 crore. If you are talking about this BharatNet, we understand that some packages have still not been opened, the client will decide which one to award, when to award, this is something that is expected to take some time.

Prem Khurana: If you just to understand the thought process, we recently picked up the smart metering orders where in mind there will be a significant amount of bought out component, I have been assuming you have these BharatNet orders, Bharat Broadband, there again, there will be optical fiber that you would have to source from someone else. So, has there been some change in the thought process wherein we are going for projects wherein there is a significant portion which is in the form of bought out components? Or is it that the size is so favorable that you can't ignore this sort of opportunities?

Neerad Sharma: These are really the large opportunities and otherwise also in few of the projects that we execute, other than these two new areas, there is a significant part of the bought out items. So, we have been executing those kind of projects in the past. And we have the expertise, and these are the emerging areas, so why not whenever big opportunities come up in front of us, it is better to evaluate those opportunities and decide not to participate. So, that is the reason we are always open to look at these kind of opportunities.

Prem Khurana: I was wondering, given the sort of size that we are targeting these days in terms of the project sizes, and given these are fairly large, wherein you won't get to the sort of competition that you would get to have with smaller orders, fair to assume, you are targeting higher margins with these opportunities, then what we generally tend to deliver in terms of average number?

Neerad Sharma: It is difficult Mr. Khurana to really predict a margin at this point of time. As you rightly highlighted, these are the new areas and we have bagged these projects almost for the first time. So, there is going to be a learning curve, and it is premature really to talk about the potential margin that we will really make on these projects. Let the projects move forward. Let us execute 30%-40% of the project. I think that would be the right time to talk about the margin. Otherwise, this would be little premature to commit a number.

Prem Khurana: And just one last if I may, would you be able to share status on the GMLR project?

Sanjay Pusarla: As far as the GMLR project is concerned, we have already placed the orders for the TBM machines and both the partners and for clearance, we are waiting for the clearance. There was a change in the location and there is a likely that the tunnel length also will get increased. So, that is the reason we are waiting for permission from BMC. It is expected to come in maybe the third quarter end. So, once it comes, then the project will completely take off.

Moderator: Thank you. The next question is from the line of Nikhil Abhyankar from UTI Mutual Fund. Please go ahead.

Nikhil Abhyankar: I had a specific question regarding the smart metering project that we are doing, the two projects. Sir, can you tell us about the experience as in how is the execution going on, and when should we expect to complete? Have we completed a part of the project wherein we have already started receiving the....

Neerad Sharma: Firstly, as you are aware, we have bagged three projects. Two projects are from the state of Maharashtra. The order value of these two projects is close to Rs. 5,700 crores. And the third project that we have bagged is from the state of Bihar. The value would be about Rs. 2,300 crores order value. As we have shared in the last conversation with you, we have started the trials for the Bihar state. We have already installed some meters, a couple of lakh meters have already been installed in the state of Bihar. Maharashtra, we have been asked to go a bit slow. The government has decided to defer this project for a few months and as you are aware, the election has already been announced in the state of Maharashtra. So, we will wait for a couple of months' time, let the new government come to power and then we are hopeful that the execution would start. But to answer your question specifically, this project we have been asked to go slow, Maharashtra project. Bihar, we are making good progress.

Nikhil Abhyankar: I wanted to ask about you mentioned that we have commissioned a couple of million of smart meters. So, have you started receiving annuities on those?

Neerad Sharma: No, we have not received the annuity as per the contract. We have to demonstrate the successful connectivity for the sample size of the project, which is about 5%. So, once we install, it is not about the installation of the meters only. There is a network connectivity. These meters are

expected to work like a mobile phone, either on RF, radio frequency or mobile network. Then we have to connect this with the local server that is going to get connected to the billing server of the DISCOMs. So, the annuity hasn't started. Once the sample testing is done, then we will receive the green signal from the client to start rolling out the project, for the rest of the households. Then this cycle would start. As we speak, this hasn't started.

Sanjay Pusarla: One small correction it was not 2 million, it was 2 lakhs. So, that is the reason you are asking whether annuity has started.

Nikhil Abhyankar: And just a final question regarding sir, there is a lot of opportunities coming out in the renewable sector, especially in the solar EPC segment. So, are we looking to participate in those?

Neerad Sharma: Currently, we are studying the sector. We are not participating currently in these bids, but we will evaluate and decide an appropriate point of time.

Moderator: Thank you. The next question is from the line of Vishal Periwal from Antique Stock Broking. Please go ahead.

Vishal Periwal: First is on, I think you mentioned investments in subsidiary and loans given totally to roughly Rs. 1,400 odd crores Is it possible to be broad headline subsidiary where the investment is?

Sanjay Pusarla: The investments and loans together Rs. 3,500 crores, out of that urban is Rs. 229 crores and NCC IHL is Rs. 559 crores and NCC IHMPL that is Rs. 223 crores and Oman it is Rs. 57 crores, Vizag urban is Rs. 416 crores and rest of the other things.

Vishal Periwal: So, in this smart metering one, how much?

Sanjay Pusarla: Still we have not invested anything, we have invested barely Rs. 10 crores in that and once the financial closure is completed and the project takes off it will be done and as you know that one smart meter project is within NCC itself and the two other projects are with the SPVs.

Vishal Periwal: The two in subsidiary is the Maharashtra one?

Sanjay Pusarla: Both are in Maharashtra. That is the requirement as per the tender events.

Vishal Periwal: And on this order book sir, the console minus standalone order book that if you do, then the difference is coming from the Pachhwara or anything else also?

Neerad Sharma: Majority of the part is from Pachhwara, one small part from the smart meters.

- Moderator:** Thank you. The next question is from the line of Priyesh Babariya from Mahindra Manulife Mutual Fund. Please go ahead.
- Priyesh Babariya:** Sir, just similar question to what Prem was asking. Let us say if we look at the pipeline of around Rs. 2.1 lakh crores that you have mentioned, assuming this sort of projects could be a large project and also, we are looking out to bid for the large projects and especially the projects where the bought out components will be kind of higher. So, what sort of margin profile are we actually looking at or what sort of trajectory do you see, let us say, in the next 2-3 years that factor the execution of these kinds of projects where value addition for us will be less?
- Neerad Sharma:** This question has already been answered. I have offered a detailed answer to this question. So, anyway, to reiterate, as you highlighted, some of these segments are new segments and it is really premature to talk about the possible margins. In these pipelines, the projects would come up for bidding, a lot of people would bid, we would be successful in some bids, some bids will not be successful. Then we will start the execution of the project, then that would be the realistic time to talk about the margin that we will really end up with. It is premature to talk about the margin that we will make on these new segments, new projects.
- Priyesh Babariya:** And another thing is that it would be really difficult to actually to change the margin beyond 10% or so, considering that this project will be very large?
- Neerad Sharma:** See, we have already shared the margin guidance with you, and we do not wish to revise that. The guideline, the margin that we have shared with the state is EBITDA margin of 9.5%-10%. And we continue to stick with the same number. Maybe, we might hit at the lower end of the band, as things stand today. But we have to wait and watch.
- Moderator:** Thank you. The next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.
- Vaibhav Shah:** Sir, out of our current standalone order book as of September, what would be the executable portion, a ballpark number would do?
- Sanjay Pusarla:** The order book standing for the standalone as at the end of September is Rs. 48,027 crores. And out of this, generally what happens is that 20% to 30% of this is executable generally. So, if you take 30% also, 12,000 is executable in the current year.
- Vaibhav Shah:** What I meant was, how much is currently under execution? What is the value for which the execution is yet to start?
- Sanjay Pusarla:** Yet to start there is nothing right now because the project is regarding only the smart meters where the EPC contract was there where there was a whole little bit in the case of Maharashtra

but there we are going ahead. As far as the Malad is concerned, I have explained you that there is a Supreme Court order to restart the project and we have restarted the project and the land filling everything is over, the tree cutting is happening, we are waiting for some permissions. When that comes and due to the rains also in Mumbai region, the progress was also not as expected but the coming quarter we are expecting a good progress. And as far as the other projects like GMLR, we said very clearly explained before that because of change in alignment or change in the location they are, we are waiting for the approvals from the BMC. Once that comes in, then that process also will take off. Otherwise, all other projects are going on, running projects.

- Vaibhav Shah:** So, secondly, what would be our order book of JJM projects from UP as of September?
- R. S. Raju:** By the end of September, it's Rs. 5467 crores.
- Vaibhav Shah:** Earlier indicated that we were targeting to complete the entire book by March '25. So, what would be a revised target for these now?
- R. S. Raju:** Like this, as we explained the shortfall in the turnover in the current quarter is also because of the unprecedented rains in UP and also the elections and all. Now we are expecting that majority of the work will be completed by March '25 and maybe a fraction of work will be left over which will be done before June 25. That is the timeline.
- Vaibhav Shah:** And lastly, when do we expect to receive the LOAs for the MSRDC 2 packages?
- R. S. Raju:** We are waiting for the government to come in. And because of the election code, they are not able to do that. Once the elections are over, it's likely can happen.
- Vaibhav Shah:** And in the previous call, we had mentioned that the outstanding receivables from AP, overall, the total number was somewhere close to Rs. 550 crores. So, is the number still the similar?
- R. S. Raju:** We received around Rs. 200 crores in AP. We received money from AP in respect of AAIB projects and ADB projects, and also APMSIDC projects. What are all projects which are running, other than capital city projects, we have received the money now. The money flow started.
- Vaibhav Shah:** So, only 150 is pending from the capital city and entire running projects, money has been received?
- Neerad Sharma:** There are two parts as my colleague Mr. Raju has already explained. From the old project that is AP Capital City, we have to receive about Rs. 150 crores. Other than that, there are running projects in which we have already received about Rs. 220 crores. So, it's a running project. What

it essentially means is every month we will raise the bill, we will do the work and the client will pay. It's a cycle.

- Vaibhav Shah:** Okay, so what are the current outstanding for the running projects?
- Neerad Sharma:** Total outstanding including the running projects and the AP Capital City is Rs. 450 crores.
- Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Out of the total inflow that is received in this year, including the L1, how much portion of projects will be from the state of Maharashtra?
- Neerad Sharma:** The share of projects in Maharashtra is out of the total order book somewhere around...
- Ankita Shah:** Not order book sir, inflows.
- Neerad Sharma:** 42% of this total number.
- Ankita Shah:** Of inflows you are saying?
- Neerad Sharma:** And if we include the total order book, about 38 ~~55:41~~___ is from the state of Maharashtra.
- Ankita Shah:** No, that I have seen in the presentation. 42% of the inflows that are already announced in the first half of the year is 42% is from Maharashtra.
- R. S. Raju:** That amounts to Rs. 2,150 crores.
- Ankita Shah:** Plus L1 also, there will be some orders from Maharashtra.
- R. S. Raju:** That is a different location that is Nagpur.
- Neerad Sharma:** Madam, we really don't talk about the L1s till the time we receive the LOA. So, we really don't take that into account until that gets converted into LOA.
- Ankita Shah:** So, this Rs. 2,150 crores doesn't include any L1 orders, only order inflow?
- Neerad Sharma:** Yes. That's right.
- Ankita Shah:** And sir, you're talking about reduction in debt in the second half of the year to Rs. 500 crores. So, with this how much would the interest outgoing P&L will reduce to? Last year we reported Rs. 595 crores as interest expenses. How much will this reduce to for FY25?

Neerad Sharma: As it stands today madam, if you see that the debt levels are almost like similar for quarter one end and quarter two end. So, the problem is on the collections. So, the expected collections are there. Then definitely the debt level will come down. Maybe by Rs. 500 crores it may come down. So, it will be in the same range as at the end of last year.

Ankita Shah: So, you are saying interest expense will be same as last year?

Neerad Sharma: Interest expense if you ask me if the percentage in fact if we compare for the last year and current year for the half year, it was exactly the same number. It was coming to 3.12%, in fact it is a reduction. 3.12% in the last year and 2.99% in the current year, that entire finance cost of netting off the interest income. If you talk about only on the loans that is also like 0.88% last year and that has come down to 0.86%.

Ankita Shah: But the main reduction will happen in the second half of the year only, so what is the expectation of interest cost reduction in the second half of the year?

Neerad Sharma: It will be on the same line, madam. So, it is expected that we'll have the same line, maybe a few points here and there.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Sir, when we look at our employee cost and the finance cost Q-on-Q basis, that has gone up. So, what explains this increase in employee benefit expenses from Rs. 182 crore to Rs. 196 crore?

R. S. Raju: Two things in this. The increase is on account of one is on the salary increase which is about 8% and on account of the count of employees increased, the number of employees also increased, that is about 2.5%. So, considering that, that increase is there.

Saket Kapoor: And about the finance cost also sir, although you mentioned that as a percentage of turnover, it has reduced but on absolute number, it has gone up Q-on-Q although the turnover on consol level is lower.

R. S. Raju: If you see the immediate quarter, immediate quarter it was Rs. 155 crores and the current quarter at the consolidated level is Rs. 166 crores.

Saket Kapoor: Yes sir, that is why my question. What explains this increase there?

R. S. Raju: The excess utilization or more utilization of bank guarantees and letters of credit.

- Moderator:** Thank you. The next question is from the line of Shouvik Chakraborty from Dolat Capital. Please go ahead.
- Shouvik Chakraborty:** Can you just mention the revenue book for the JJM project in quarter 2? I missed that number.
- R. S. Raju:** The revenue for the JJM project in the Q2 is Rs. 1100 crores.
- Shouvik Chakraborty:** The pending execution, how much does it stand at?
- R. S. Raju:** Rs. 5,460 crores.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to Mr. Vaibhav Shah for closing comments. Over to you, sir.
- Vaibhav Shah:** There is one question from my end. Sir, we had mentioned that the order book for JJM was around Rs. 6,000 crores as of March '24. Now it is 5,500. So, how do we explain the execution of Rs. 1100 crores in 2Q?
- R. S. Raju:** Just to give you a clarification, the order book which was received by us is around Rs. 17,000 crores and the work executed till date that is end of 30th September is Rs. 11,137 crores and the balance order book as at the end of September is Rs. 5,467 crores. So, if there are some other numbers which we have told earlier, please, they stand corrected now.
- Vaibhav Shah:** Sir, what was the turnover in the first half?
- R. S. Raju:** In the first half, it is Rs. 2,332 crores. The quarter one is Rs. 1,212 crores and the quarter two it is Rs. 1,120 crores.
- Vaibhav Shah:** What was your order book as of March '24?
- R. S. Raju:** Rs. 7,700 crores.
- Vaibhav Shah:** Thank you. Thanks a lot for giving us the opportunity to host the call. So, any closing remarks from your end?
- Neerad Sharma:** Thank you very much for participating in the interactive meeting that we have had. Should you have any more questions, you are free to get in touch with us. We would be very happy to answer any questions that you might have subsequently. Goodbye. Thank you very much.
- Moderator:** Thank you. On behalf of JM Financial, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.