



# NCC

Ref. No.: NCCL/ Regulation 30&46/2019  
Date : 04-06-2019

**The Secretary**  
**National Stock Exchange of India Ltd**  
5<sup>th</sup> Floor, Exchange Plaza  
Bandra – Kuria 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 24<sup>th</sup> May, 2019 discussing about the performance & Financial Results of Q4 and F.Y.2018-19 and Business Outlook of the Company. Kindly take the above information on record.

Thanking you,

Yours faithfully

**For NCC LIMITED.**

*4-06-2019*  
**M V Srinivasa Murthy**  
**Company Secretary & EVP (Legal)**  
Encl : As above

**NCC Limited**

(Formerly Nagarjuna Construction Company Limited)

CIN: L72200TG1990PLC011146

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



**“NCC Limited  
Q4 FY2019 Results and Business Outlook Conference  
Call”**

**May 24, 2019**



**ANALYST:**

**MR. SHRAVAN SHAH - DOLAT CAPITAL MARKETS  
PRIVATE LIMITED  
MR. MAULIK SHAH - DOLAT CAPITAL MARKETS  
PRIVATE LIMITED**

**MANAGEMENT:**

**MR. Y.D. MURTHY - EXECUTIVE VICE PRESIDENT  
(FINANCE) - NCC LIMITED  
MR. S.V.N. BHANOJI RAO - VICE PRESIDENT  
(FINANCE) - NCC LIMITED  
MR. R.S. RAJU – ASSOCIATE DIRECTOR (FINANCE  
AND ACCOUNTS) & CFO - NCC LIMITED  
MR. P. SURENDER RAO – CHIEF MANAGER -  
FINANCE - NCC LIMITED  
MR. K. DURGA PRASAD - JOINT GENERAL MANAGER  
– FINANCE - NCC LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the NCC Limited Q4 FY2019 Results and Business Outlook Conference Call hosted by Dolat Capital Markets. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal for an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shravan Shah from Dolat Capital. Thank you and over to you

**Shravan Shah:** Thank you. Good evening everyone. I and my colleague Maulik would like to welcome you all for Q4 FY2019 Results Conference Call of NCC Limited. We thank the management for giving us the opportunity to host the call.

From the management, we have Mr. R.S. Raju – Associate Director Finance and Accounts, 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, and Mr. P. Surender Rao – Chief Manager - Finance.

Without wasting much time, I would now handover the floor to the management for their opening remarks and then we can have Q&A session. Before that I congratulate the management for setting the history of highest ever order inflow order book revenue and PAT for the FY2019. Over to you Sir!

**Y.D. Murthy:** Thank you Shravan. I am Y.D. Murthy, Executive Vice President from NCC. We will tell you about the performance of the company for the Q4 as well as for the year ended March 31, 2019 and after that we can have a question and answer session. I request our CFO, Mr. R.S. Raju to give the opening remarks.

**R.S. Raju:** Good evening to all of you. This year 2018-2019 we have given the ever highest numbers on the parameters the order book in turnover and also the PBT or EBITDA or PAT, all the numbers almost created a record in the history of NCC.

First I explain about order book, how the order has taken place in the current 12 months period. In the current 12 months period the company secured orders about ₹25612 Crores after excluding the order executed about ₹12325 Crores and the order book stands at ₹41197 Crores as of March 31, 2019.

In this order book, we have also given an adjustment for the descope and also the orders where they are not going as per the schedule where uncertainty is there for such orders, so the order book is net of such type of orders. So, the segment wise orders played out and before that the order target for the dividend for the year as a whole is 15965 Crores against which that we expected to do ₹25612 Crores, which almost of 70% or 80% over the plan of the company for the order bookings.

From the segment wise order, just I will read out what the orders in the order book or the orders stands in the closing order book value of ₹41197 Crores. Now, billing division stands at ₹16082 Crores 39%, the roads division stands at ₹8688 Crores 21%, for water and railways together ₹9317 Crores 23%, electrical division ₹1757 Crores 4%, irrigation ₹2412 Crores 6%, mining ₹2264 Crores 5%, international ₹427 Crores 1%, others ₹300 Crores 1%.

All these things totaling to ₹41197 Crores, in this, there is some change in this order position and the vertical, the building division from 45% to 39% has come down, roads increased from 13% to 21%, water increased from 19% in the beginning of the year to 23%, electrical has also come down from 6% to 4%, irrigation has also come down from 8% to 6% and mining same 5% to 5%, international has come down from 3% to 1%, so the major thing taking place in the roads division in this, the order book increased from 4247 Crores at beginning of the year to 8658 Crores and the water also increased from 6227 Crores to 9317 Crores. These are the two segments where the order book or the share of those verticals increased.

About the performance in fourth quarter, standalone basis, achieved a turnover of ₹ 3425 Crores as against ₹ 2419 Crores in the corresponding period of the previous year, a growth of 42%. Similarly, the company achieved a turnover of ₹ 12198 Crores in the 12 months period as against ₹7675 Crores in the previous year, a growth of 59% for the previous year. On a consolidated basis for the 12 months period, the company has achieved a turnover of ₹13020 Crores as against ₹8492 Crores.

Coming to the profit for the fourth quarter, the company reported an EBITDA of ₹397.67 Crores against ₹304 Crores and the PAT of ₹174 Crores against ₹102 Crores of the corresponding quarter. The EPS was 2.9% as against 1.76% of the corresponding quarter.

For the 12 months period, the operating performance turnover is ₹12198 Crores, EBITDA ₹1423 Crores reported against ₹855 Crores of the last year and PAT ₹564 Crores as against ₹287 Crores of the last year and EPS 9.39% as against 5.09%. The consolidated financials for the fourth quarter EBITDA ₹457 Crores as against ₹300 Crores of the last year, PAT ₹187.56 Crores as against ₹46 Crores of the last year. For the 12 months period, the EBITDA is ₹1581 Crores as against ₹879 Crores, PAT is ₹578.68 Crores as against ₹168.60 Crores. So there is an improvement in EBITDA, PBT and PAT on a consolidated basis compare into the previous year.

The company all of you are aware that consolidating its a group of operations, so as a result this process and also for the last three to four years we have given various absorbing the diminution value of the investment wherein in the group companies and also making provision in the standalone for the losses reported by this group companies, so almost in the last three to four years significant amounts we have considered despite all these things, the standalone and now the consolidated basis reported good results and going forward we are not forcing any significant adjustments on an account of the group companies in the standalone financials.

If we come to the balance sheet the first two items is account receivable. In the account receivable, there is an improvement in the fourth quarter comparing to the first nine months period, so the account receivable have now come down to ₹2791 Crores from ₹3208 Crores as of March 2018 and December 2018, as a result the debt collection period has come down for the 12 months period 84 days from 101 days for the first nine periods and from 94 days are there for the last year.

As far as debt is concerned, as of December 31, 2018, our debt stands at ₹2164 Crores and at that time my investors and our analysts has also asked how is the debt position going forward, so at the time also we said that 100 Crores plus or minus would be there for the figure of ₹264 Crores, but in the fourth quarter some good collections have happened as a result the debt has come down by about ₹170 Crores, now the debt stands at ₹1993 Crores.

Now, some of the important ratios which indicate how the financials stand, and I will just read out some of the important ratios.

Our working capital days have come down to 102 days from 133 days as of March 2018, so there is a significant improvement in working capital days from 133 to 102 days and excluding cash and bank balances, the working capital days are still lower this is from 129 days to 96 days. As far as margins are concerned, the gross profit margins compared to the previous year, there is no much increase in the gross profit margin and in the last year three are some one time items like bonus and some NHAI have happened as a result of the gross profit margin and EBITDA margins are higher in the last financial year 12 months and also in Q3 and Q4 last year.

In the current year, such onetime have not taken place in the revenues, so the EBITDA margin now stands at 11.78% as against 11.31%, so it reflects roughly 0.5% margin expansion taken place at a better level and PBT now reported 7.23% as against 4.79%, so here a significant expansion taken place roughly 2.5% to PBT expansion taken place and PAT, last year it is 3.74% and now reported 4.6% roughly 0.9% expansion taken place. Similarly, there is return on capital employed, last year return on capital employed is about 12.01%, now it is 15.04% about 3% return on capital employed is increased. Similarly, return on equity, the last year 6.76% now increased to 11.85%. So in this in all the aspects there is an improvement at profit margins and ratios.

On the balance sheet point of view also there is a decline happened in working capital comparing to the volume of transaction taken place. The turnover increased about by 60% in the year 2018-2019, but whereas the working capital increased only by 33%, so this, the volume increase reflects an improvement in all the parameters.

**Y.D. Murthy:**

Just to add to what Mr. Raju has mentioned, I will add one or two points. The finance for the quarter is about ₹117 Crores, which is a 3.4% of turnover in fact the finance cost has come down to less than 4.1% to 3.4%, for the year as a whole also the finance cost has come down to 3.7% of a turnover, the number will be to 1.3 Crores as compared to 4.9% in the previous year. We are

carefully monitoring the finance cost for the year that ended year of March 2019, the finance cost composition is under interest on term loans that is ₹35.6 Crores, interest on cash rate and WCD ₹165.8 Crores, interest on mobilization advance ₹131.6 Crores, interest on others 5.1 Crores, BG commission ₹93.4 Crores, LC commission ₹12.5 Crores, bank and other finances has 7.3 total finance cost for the year as a whole is ₹451.3 Crores, which is 3.7% of the turnover.

Last year it was 4.9% of the turnover, so there is a good improvement of about 1.2% reduction in the finance cost. Debt on standalone basis we already given out of this the cash plays on working capital demand loan is ₹1416 Crores, short-term or long-term loan is 20 Crores, machinery loan is ₹557 Crores, total debt at the end of the year on the at balance which is ₹1993 Crores. Fixed assets are ₹1253 Crores, loans and advances have come down to about ₹468 Crores as compared to ₹605 Crores at the beginning of the year.

Likewise, investments in subsidiaries and group companies have come down from ₹1023 Crores to ₹919 Crores at the end of the year. So the exposures to the group companies have come down from ₹1628.7 Crores to ₹1387.4 Crores. This is primarily that some loans have been repaid by our subsidiary NCC Urban during the financial year about ₹135 Crores of debt has been repaid by them.

The mobilization advance stood at ₹1522 Crores, the retention money is at ₹2238.9 Crores, cash and bank balance is ₹298.9 Crores, inventory and raw material is ₹497.6 Crores and total inventory is ₹713 Crores and our property development cost is about ₹15 Crores.

Trade receivables are already covered. The debt collection period has improved substantially to 104 days as compared to 101 days in the previous year. We are putting our extra efforts to see that the payment cycle is improved in the fourth quarter particularly in the month of March substantial payments have been received by us.

The subsidiary companies put together have reported a turnover of about ₹821.97 Crores and the net profit of ₹4.33 Crores. The construction business in the Oman and Dubai reported a turnover ₹401.8 Crores under the loss of ₹11.3 Crores. NCC Urban Infrastructure our real estate subsidiary turnover is ₹393 Crores, net PAT is ₹13.59 Crores. NCC Infrastructure Holdings turnover is ₹2.41 Crores, loss is ₹46.3 Crores. OB Infra turnover is ₹97 Crores, profit is ₹5.61 Crores, and Pachwara coal mining turnover is ₹10.8 Crores, loss in ₹0.1 Crores. The total is ₹821.9 Crores topline and ₹4.33 Crores at the PAT level.

This is the presentation from the management side. Now, I request the participants to ask their questions. For the sake of paucity of time, available I request each participant not to ask more than two questions and total number of participants participation will restricted to about 20 to 22 people.

**Moderator:**

Thank you very much Sir. The first question is from Vishal Biraia from Aviva Insurance. Please go ahead.

- Vishal Biraia:** Sir, the first question is on the trade receivables, what has led to the substantial improvement in the fourth quarter?
- RS Raju:** Basically, the collections happened from the clients. In the third quarter there was slackness in the collection as of March 31, 2018, but what are pending are there were there in third quarter that is up to December 2018 and also since March is the month it is a year end, but just another thing and generally the state government close, so in the March generally more collections happened, so what are pending are there in December 2018, those amounts plus this March amounts all put together resulted into good collections as a result the trade receivable has come down by about 400 Crores or 500 Crores from December figure.
- Vishal Biraia:** Any specific large project or where got the money or something of that?
- RS Raju:** No, particularly our general study from AP projects, APTIDCO projects are there where we doing more projects, a good collections have happened from the AP and also from the other states like Maharashtra and Karnataka and where we are being in Bihar, so collection were happened.
- Vishal Biraia:** Second is on the amount of cash balance that you are carrying, the closing cash balance seems to be doing substantially high, any specific reasons for this?
- RS Raju:** Closing cash balance happened this year in the March month end, March 31, 2019, some Sundays happened, some holidays happened on both days, but the collection happened in different places across the India and overnight deposit whatever were made they could not be transferred from those places to our regular account of OCC accounts where we have in Hyderabad, so that is one reason for this year having the current account balance.
- Y.D. Murthy:** If you factor the cash balance of ₹292 Crores, the net in the books of our company will come down by that number that means from 1993 Crores minus ₹292, ₹1800 Crores will be there.
- Vishal Biraia:** This one last thing, in the other current assets, which primarily recall our unbilled revenue, is there some portion of, where the trade receivables have been accounted in other current assets or that is purely unbilled revenue?
- RS Raju:** This is purely unbilled revenue other current assets. In other current assets, unbilled revenue and then retention money and then retail amounts those amounts are grouped into that other current assets.
- Vishal Biraia:** Sir, can you give a breakup of this?
- RS Raju:** Other current assets note it down, the advance from suppliers and subcontractors is ₹1037 Crores, retention money ₹2127 Crores, withheld amounts that we are calling as not fall in due, ₹574

Crores and the contract assets that is unbilled revenue ₹1390 Crores and VAT receivable ₹162 Crores, and trade receivables ₹265 Crores, all put together about ₹5596 Crores.

**Vishal Biraia:** Thank you. I will come back in queue.

**Moderator:** Thank you. Next question is from Parikshit Kandpal from HDFC Securities. Please go ahead.

**Parikshit Kandpal:** Sir, congratulations on excellent set of numbers. Sir, now again you have achieved almost 62% growth in topline, so what is our guidance for the next year in terms of growth and EBITDA margin?

**RS Raju:** For next year at this moment, we are not giving any guidance next year, so first of all we want to sustain at the increased level, already 62% increase has happened in 2018-2019, so from this stage again, how much again request so much exercise, so still understanding the scenario after this elections and other things again the people the project may other and/or individual people take up in the total exercise, so for the coming year we are not giving any guidance only at this moment company to sustain whatever figures 12000 achieved in the number first of all targeting to achieve that number.

**Y.D. Murthy:** This is a good growth that we have achieved in the year about 60% growth and first we have crossed for the remark and crossed by a big margin, crossed about ₹12000 Crores, so the management cross the ways to consolidate at this position, so we are not giving any guidance, but the number will definitely be maintained, something extra will be there, but we are not able to give percentage at this point in time.

**Parikshit Kandpal:** In the last call you had mentioned about 15% to 20% moderate growth is?

**Y.D. Murthy:** That is why we have reviewed in the board meeting about business plan and all that, we are not giving any guidance, but turnover already achieved in FY2019, we will definitely we will maintain, something extra will be there, but I cannot give the number this time.

**Parikshit Kandpal:** So, are we looking at a lower order inflow like this because 25600 we have achieved in last year, so if you are moderating our growth expectation, so what kind of order inflows you are looking at for this year?

**RS Raju:** Order will also be substantially lesser than what we got last year.

**Parikshit Kandpal:** Like how much 10000 Crores or 15000 Crores?

**RS Raju:** Target wise minimum now whatever ₹23000 Crores to ₹24000 Crores that much level company is not looking since it is acquired consolidation continuously in 2 years at the rate of ₹24000 Crores company secured the orders, so first it requires to consolidate even to report to 10% to



15% growth, we do not require more than ₹15000 Crores order booking in the year 2019-2020 even to maintain 15% to 20% growth.

**Y.D. Murthy:** But one thing is in FY2020, the order book will increase, it will not decrease that means the fresh orders received in FY2020 will be definitely more than the execution in FY2020 that is going to happen.

**Parikshit Kandpal:** Just on EBITDA margins, what kind of EBITDA margins you are guiding?

**Y.D. Murthy:** We have already given guidance earlier also and we achieved 11.8%, in FY2020 also we are confident we will be able to make that 11.5% to 12%.

**Parikshit Kandpal:** Just lastly on this monetization of your investment in subsidiaries, now it has reduced year-on-year at almost ₹1387 Crores, so what kind of inflows you are expecting in this year from your subsidiary?

**RS Raju:** NCC Urban is likely to repay about ₹100 Crores to the parent company by monetizing some of the land parcels we are having and also we are looking at monetizing our investments in Tellapur Techno City, a part of it has already been received about ₹36 Crores, balance is also expected in the next one or two months and Jubilee Hills, we already exited in the equity side and now we have to sell the apartments allotted to us and then the monetize goes as such that will take about one and half to three years time, the execution and construction of the buildings has already started there.

**Parikshit Kandpal:** So, ₹150 Crores we can expect reduction in this?

**RS Raju:** Next year, now in this year about ₹150 Crores we can expect inflows.

**Parikshit Kandpal:** Thank you Sir. That is all from my side.

**Moderator:** Thank you. The next question is from Inderjeet Bhatia from Macquarie. Please go ahead.

**Inderjeet Bhatia:** Thanks for the opportunity, my first question is on the existing order book of ₹40000 Crores odd, can you give me a number in terms of how much is Andhra and how much is Telangana and is there because of change of government Andhra Pradesh is there a worry on execution, the priorities of the new government and hence that is one reason that you are not sharing guidance on topline growth for next year?

**Y.D. Murthy:** Changes in the government in Andhra and all we are carefully examining, the percentage we will give you right now, but we change our government should not alter our execution taking forward, there could be a delay of one or two months initially and because it is not that only now there is a change of government, we are a 40 years old company, elections do take place, change of government does take place and many times our experience shows the new government will

come with more enthusiasm because they have given lot of promises to the people and they want to take the projects forward and because of change of government I can tell you we have never suffered during the last 40 years and this time also I do not think there is going to be any problem in terms of getting payments in terms of getting execution, but there could be some delay to the extent if 2 to 3 months.

**Y.D. Murthy:** Just one more question on the order book number that you gave is 41000 Crores, the press release mentions 39000 Crores odd is that the difference just between standalone consolidated or is there anything else? We have done the descoped, we already advised you that is the difference.

**Inderjeet Bhatia:** Today, after descoping, 39000 is the net number?

**Y.D. Murthy:** Yes.

**RS Raju:** Yes, 39216 is the standalone order book to that account we have to add 1981, when you add it comes to 41000.

**Inderjeet Bhatia:** Last one thing is there a sense broad range in terms of what would be interest cost next year is that both in absolute terms and is there going to be potentially change in the rate of interest?

**RS Raju:** Interest rates that we are enjoying from the banking system has come down to around 9.8% or so for the year as a whole and further reduction we are expecting based on the policy rate reduction by the Reserve Bank of India and the case will be examined and also based on the improved performance of the company and hopefully with the rating upgrade further reduction in the interest rate can also be possible in FY2020.

**Inderjeet Bhatia:** Once again thank you, congratulates on the great numbers.

**Moderator:** Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Funds. Please go ahead.

**Kirti Jain:** Sir, congratulations for excellent performance for year. Sir, just one question, how much would be the debt reduction we are targeting for next year since we assuming we do a flat revenue next year?

**RS Raju:** What is that?

**Kirti Jain:** Debt reduction we will be planning for next year?

**RS Raju:** Next year, the debt reduction about if the same revenues are achieved we expect about 200 to 300 debt reduction.

**Kirti Jain:** And what would be the capex for the next year plan?

- RS Raju:** ₹350 Crores.
- Kirti Jain:** These are things from my side, thank you.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Good evening Sir. Thanks for taking my question. Sir, first question was on mobilization advance, this year we have done exceedingly well in terms of new inflows of almost ₹22500 Crores odd, but when I look at the mobilization advances that you have on your books, there is hardly any change, Crores odd does it mean you are not utilizing mobilization advances or we are yet to receive mobilization advances for a large part of the orders that we have been able to manage?
- RS Raju:** One thing is that our projects is executed faster and quicker the mobilized advances recovery also happens faster, so the net increase may not be there that much and last year we had a fantastic execution, it gives a lot of mobilization advance has been recovered by the clients, and also as a strategy and what we are doing is in those projects if the mobilized advance interest is at the higher side and also to take the mobilization advance I have to give a bank guarantee and again bank guarantee commission, etc. is also involved looking to all these aspects if the cost is prohibitively high with the management is also view that we may not take mobilization advance at all.
- Prem Khurana:** Second question was when I look at the trade payable numbers over the last one year it is up by almost around Rs.100 Crores odd and in terms of days, it works out to be almost 130 and I was wondering how many vendors of yours would be able to extend you that kind of credit periods, so would it be possible for you share the breakup in terms of what all does it comprise and how much would LC or expectances in this or is it purely trade payable from the vendors?
- RS Raju:** In this payables we have about 300 Crores roughly about to these acceptances of LC and balance are our creditors.
- Prem Khurana:** But, how many of your vendors would be able to extend us this kind of credit period almost 120 odd days, which is four months of credit period?
- RS Raju:** The credit period here basically measured with the vendors they provide the credit against LCs, so against LCs it is our management call, this is the LC we go for 90 or go for 120 or go for 150 or 180, up to 180 we can go from 90 to 180 this is the range it is a strategic decision time to time we take, how many days is it economical or advantages to the company in that manner we evaluate and decide from 90 to 180 days.

- Prem Khurana:** In your consolidated entity we have provision almost around 68 Crores odd what does it pertain to, which entity would that be wherein we would have return off some of our investments, I mean it is a diminish in value of investment what you have written off?
- RS Raju:** For the year as a whole year you are asking?
- Prem Khurana:** No, for Q4 we have provided exceptional item of ₹68 Crores odd in consolidated income statement, not standalone, standalone is only 11, but your consolidated numbers is ₹68 Crores odd?
- RS Raju:** Out of which about ₹40 Crores we made a provision for the NSCC IHL for their some obligation and the asset sale of this ideal power some legal dispute is continuing there we have made a provision of ₹40 Crores and some Dubai company about to ₹14 Crores we made a provision, so this is to major items represent that ₹62 Crores provision.
- Prem Khurana:** I will come back in the queue. Thank you.
- Moderator:** Thank you very much. The next question is from the line of Karthik Sodha from Crescita Investments. Please go ahead.
- Karthik Sodha:** Sir, congratulations on good set of number. Just two questions, one is on the turnover that you are talking about for the next year, just wanted to understand the election is already done now, so as revenue been impacted in this intermittent period till last two months also the revenue got affected because of the elections and secondly except for the sated Andhra, will the revenue get impacted on the other project as well because the timeline when we received the order is almost a certain, so will there be slow down on the incremental project that the order we got last year or there will on way project also there we have seen the slow down and second is on the overall how much is our order book comprising of the private building from the private segment and how much is the government?
- RS Raju:** So, basically for the revenues, you are asking about the revenues of the year 2018-2019?
- Karthik Sodha:** Yes.
- RS Raju:** April – May.
- Karthik Sodha:** Yes.
- RS Raju:** We have not disclosed anything.
- Karthik Sodha:** I market just trying to understand whether there was interruption in the revenue for this current last two months because of the election, just trying to understand, I not trying to get the numbers?

**RS Raju:** One thing is there, we are doing various projects from all India in the government organizations, like airport authority, All India Medical Sciences and there are various camp, IITs etc., and also national highway or NTPC, these are all central government agencies, once the tenders are called or tenders have finalized, contract is given, work is done, bill is submitted, election or no election payments are coming there is actually do no problem there, but when it comes to state government particularly when elections are taking place there could slow down that is what we are talking in the place one of the participants also asked the same question, that we are carefully examining, but as state government level only AP they have gone for election and there is going to be a change of government. I do not think there is going to be any problem there.

**Y.D. Murthy:** Other players are there at the time of payment and other things their own problems, but problem here is because of the elections all over India, the workman where they are working in our projects, this workman gone to their own native places for voting, so once they gone means again, some 10 days, 15 days, 20 days, 1 month or normal they would not come back again, remobilizing that workman generally take time some interruptions in the work places wherever we borrowed manpower from other places generally the manpower from West Bengal, come from Bihar, Odisha, all these places, so workmen scarcity in some locations are there, there were some progress I think yes.

**Karthik Sodha:** Thank you. Just last thing in terms of the current order enquiry, so is that because last three to four months we have not seen any order coming through in terms of be it NHAI and others, so do you think that will stop once of the continuity in this government, or the things will start moving from next months onwards at least an RFP that all?

**RS Raju:** Yes, definitely and also you are asking private orders, we as a company took a decision not to go for any private orders most of the 99% of the order book is from government agencies, put together.

**Karthik Sodha:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

**Charanjit Singh:** Sir, thanks for the opportunity. First of all congratulations on good set of numbers, Sir on the order inflow front for the next, which are the areas where you see the opportunity panning out from order finalization perspective?

**RS Raju:** We are very strong in buildings, roads, and water pipelines and also electrical verticals and these four verticals put together constitutes to nearly 82% to 85% of the order book as well as the topline of the company who expect the orders to us in all these verticals in FY2020 also.

**Charanjit Singh:** In the water space, because we have seen a very significant increase in the water ordering NCC, how are the terms there and who are the customers in terms of the execution, how is the cycle?

- RS Raju:** We received the order from three to four states in the water, particularly we entered into the Odisha, where big number of works that gone may called for, so in the last six months period we received about 4 to 6 projects from Odisha, also we received one project from Gujarat and one or two projects from West Bengal besides the projects what received in the AP, so Telangana already projects are going on, so now in this year we expect some new orders from Telangana government, so already the reconsolidated their financial position, so we are hoping coming or going forward from Telangana, so the increase mainly represent by Odisha and also some water projects received in AP related to the Vizag and some projects related to West Bengal.
- Charanjit Singh:** Sir, on the building side, there were certain projects, which were going little slow especially NBCC order, so what is the update on that?
- RS Raju:** We have descope of that because High Court stay is there, the project is not moving, so we have removed it from the order book for the time being.
- Charanjit Singh:** Great. Thanks a lot for taking my question. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Venkat Subramanian from Organic Capital. Please go ahead.
- Venkat Subramanian:** Thanks for taking my question Sir. On your 2100 Crores odd of money that are actually there for performance guarantee etc., what is broadly the ageing of this, how long are they or they have not been received?
- RS Raju:** How long this bank guarantees?
- Venkat Subramanian:** This is not bank guarantee; this is money that is actually still due post execution of the order?
- RS Raju:** You are talking about the retention money?
- Venkat Subramanian:** That is right.
- RS Raju:** In the retention money, certain amounts not fall in due, certain amounts fall in due are there, so out of that total amount the fall in due mainly about ₹800 Crores are there, in the ₹800 Crores, ₹600 Crores relates to the power, where it is an arbitration, another 7 to 8 months we expect that arbitration and the rest ₹200 Crores it is a normal flow one or two, three months normal to that, so balance amount as on when they pass through then only we get from the client.
- Venkat Subramanian:** Technically when you say they have not fall in due, these are about a year old, normally retention money about a year?
- RS Raju:** Retention money is recovered by the client out the running bills we submit to the client 5% with the bill amount is the retained by the client, it goes on accumulating that is normally paid back to us after the project is completed and period is over and now that is why there is build up of

retention money and clear clients are giving retention money back to us with the bank guarantee or security of late in the tender document itself this clause is not available, so there is a build up of retention money that is happening for almost all contractors in the country, but one thing I want to tell you we do not have any bad decision retention money, normally as and when the retention money is fall in due for payment within two to three months time from the date of due date we are getting the payments.

**Venkat Subramanian:** On an average from the time when the money has been retained by the client and by the time it actually gets back to you is about a year?

**RS Raju:** No, average you can take two and half to three years because the discipline period is also there.

**Y.D. Murthy:** Average again we have to see when three years project is there, they start recovering from right on the first, that means recovery happen from first month to 36th month so if nearly completed within the time of 36 months after that one they stipulate some one year defect level or six months defect liability period or also they stipulate 50% will be released at completion of the project with out defect liability period, 50% will be released after the fixed liability period and some clients stipulates that in between if you submit a bank guarantee will pay the retention money by that several clauses or several variants are there so on an average we can take to end of to three years for the retention money what outstanding there put in our accounts, so last year ₹1200 Crores we achieved on an average if you take 6% there is hardly ₹720 Crores only in last years deduction happened so like that when the project three years project is not completed in three when it goes six years that mean that project money first will recover 6 years is in keeping with the client, so like that it depends upon various projects life cycle.

**Venkat Subramanian:** And lastly, although you have not given broad guidance in terms of equitation for next year given the order book that you sitting on you would probably have to execute something like about at least 10% to 15% more than what you have executed, right?

**RS Raju:** We do not want to commit or tell anything on that one.

**Venkat Subramanian:** That is it. Thanks a lot.

**RS Raju:** This is the last question from the participants, and after that we will close the discussion.

**Moderator:** Alright Sir. Thank you. Ladies and gentlemen, we will take the last question, which is from the line of Ashish Shah from Centrum Broking. Please go ahead.

**Ashish Shah:** On the arbitration, two arbitration cases, which are going on for eastern core project as well as for ideal project, what is the status currently?

**RS Raju:** See, Sembcorp arbitration likely to be concluded by September 2019, we are also waiting for that with this will have a strong wicket, our retention money, our final bill all those things will go to

on a net basis, the question is how much money we are likely to get, as far as the ideal project is concerned.

**Y.D. Murthy:** For this Sembcorp project also now this arbitrators has again taken six months extension of time, so now it is deferred from September 2019 to March 2020 as far as the ideal project is concerned we are appealing in the further High Court, so papers are all in preparation and how much time we take at this moment to it is difficult to tell, but it in now foreign court we expect to get resolved in a period of 12 months time from here onwards.

**Ashish Shah:** Also, we did not at this time announced order inflows for April, any number that you could you share what was the order inflow?

**RS Raju:** We did not get any orders in April.

**Ashish Shah:** Fair enough. Thank you that is all.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Shravan Shah for closing remarks. Over to you, Sir!

**Shravan Shah:** We thank the management once again for giving us the opportunity to host the call and we thank you all the participant. Thank you and all the best.

**RS Raju:** We thank from the company side, all the participants and also the host, Shravan Shah and Dolat Capital for doing it. Thank you very much.

**Moderator:** Thank you very much members of management. Ladies and gentlemen, on behalf of Dolat Capital Markets that concludes today's conference call. Thank you all for joining us. You may now disconnect your lines.