Ref. No.: NCCL/ 2018
Date : 01-06-2018

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: Transcript of the conference call.

Please find enclosed herewith the transcript of the earnings conference call that took place on 24th May, 2018 for discussing about the Q4 and for the F.Y.2017-18 results of the Company. Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.

01-06-2018
M V Srinivasa Murthy
Company Secretary & EVP (Legal)
Encl : As above

NCC Limited
(Formerly Nagarjuna Construction Company Limited)
CIN: L72200AP1990PLC011146
NCC House, Madhapur, Hyderabad 500 081 T +91 40 2326 8888 F +91 40 2312 5555 ncclimited.com

"NCC Limited
Q4 FY2018 Earnings Conference Call"

May 24, 2018

ANALYST:	**MS. ANKITA SHAH – ELARA SECURITIES**
MANAGEMENT:	**MR. Y.D. MURTHY - EXECUTIVE VICE PRESIDENT FINANCE - NCC LIMITED** **MR. S.V.N. BHANOJI RAO - VICE PRESIDENT FINANCE - NCC LIMITED** **MR. G. SIVA RAMA KRISHNAN – MANAGER FINANCE – NCC LIMITED** **MR. R.S. RAJU – ASSOCIATE DIRECTOR - FINANCE & ACCOUNTS AND CHIEF FINANCIAL OFFICER– NCC LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the NCC Limited Q4 FY2018 Earnings Conference Call hosted by Elara Securities India Private Limited. 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 please signal 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 Ms Ankita Shah from Elara Securities. Thank you and over to you Madam!

Elara Securities: Good evening. On behalf of Elara Securities Limited, I welcome you all to NCC Q4 FY2018 Earnings Conference Call. From the management side, we have Mr. Y. D. Murthy, Executive Vice President, Finance, Mr. S. V. N. Bhanoji Rao, Vice President, Finance, Mr. G. Siva Rama Krishnan, Manager Finance, Mr. R. S. Raju, Associate Director, Finance & Accounts. We will start off with opening remarks from the management and then followed by Q&A. Over to you Sir!

Y.D. Murthy: Thank you. We will give you briefly the performance of the company for the quarter ended Q4 of FY2018 and also the annual performance. After that we can take it for question and answer session. Due to paucity of time, I request all the participants not to ask questions repeatedly and also not to ask more than two questions per participant and we will be able to take a nice further 25 questions. I request Mr. R. S. Raju, our Associate Director to give a brief presentation about the performance of the company in Q4 as well as for the year ended FY2018.

R. S. Raju: Good evening to all of you. I am R. S. Raju, Associate Director and CFO of the company. About the opening remarks, first I would like to tell about the order book of the company. So in the current year 12-month period, the company secured orders of Rs.25304 Crores, this is inclusive of GST. Excluding the GST, the value of orders secured by the company and works out roughly Rs.23875 Crores. During the year, the company executed orders about Rs.8149 Crores. After executing the orders, the order book stands as of March 31, 2018 at Rs.32532 Crores. Of course in the fourth quarter, the company secured about Rs.4600 Crores from various clients, so that is about order book.

Let me complete also the division wise movement. The orders secured division wise in the current 12-month period. In the building division we secured about Rs.12057 Crores and the roads division about Rs.4189 Crores, water and environment division about Rs.5500 Crores, electrical division Rs.1585 Crores, irrigation Rs.903 Crores, others Rs.460 Crores and international about Rs.609 Crores totaling to Rs.25304 Crores. The value of orders executed division wise of buildings about Rs.3522 Crores, roads Rs.386 Crores, water Rs.2289 Crores, electrical Rs.963 Crores, irrigation Rs.263 Crores, others Rs.65 Crores, mining Rs.34 Crores and International Rs. 629 Crores so total about Rs.8149 Crores.

In the balance orders, we excluded the GST element also while recently this LYR order from the clients and some of the LOIs including the GST and earlier order book whatever order book is there at the beginning of the year Rs.18088 Crores it includes indirect taxes, so earlier we need to account the indirect tax also as a revenue based on the terms and conditions of the contract, but after Ind-AS the GST element needs to be excluded and according to order book also, now we revised or revalidated excluding the GST element, so after excluding the GST element now the division wise order standing as of March 31, 2018 are building division got Rs.14580 Crores, the roads Rs.4247 Crores, water and environment Rs.6277 Crores, electrical Rs.1924 Crores, irrigation Rs.2521 Crores, others Rs.434 Crores, mining Rs.1605 Crores, international Rs.942 Crores, total Rs.32532 Crores. The share of each division in the total order the billing division has 45%, roads 13%, water 19%, electrical 6%, irrigation 8%, mining 5%, and international 3%.

About the performance of the company. So on a standalone basis in Q4, the company reported a turnover of Rs.2419 Crores as against Rs.2186 Crores in the corresponding quarter of the previous year and it has reported an EBITDA of Rs.304 Crores and a net profit of Rs.102.71 Crores as against Rs.174 Crores and Rs.63 Crores respectively in the corresponding quarter of the previous year. The net profit, there is good growth and it works out to 61% over the quarter-on-quarter. The company has reported an EPS of 1.76 as against 1.15. When you come to the 12 months, the company reported a turnover of Rs.7675 Crores for the FY2017-2018 as against Rs.8032 Crores in the previous year. These two figures are not comparable since one figure excludes the taxes and another figure includes the taxes, so when we give the adjustment for the GST to bring them on a comparable terms in fact there is an increase in the turnover by 5% when you eliminate the GST, so we can say that in the current year only 5% growth in the topline when you give the adjustment for the GST. So for the 12-month period the company has posted an EBITDA of Rs.854.88 Crores and a net profit of Rs.286.8 Crores as against Rs.685 Crores and Rs.225 Crores respectively from previous year. The company reported an EPS for the 12 months period as 5.09 as against 4.06 of the previous year. When come to the consolidation for the 12 months period, it reported a turnover of Rs.8492 Crores as against a turnover of Rs.9204 Crores. The company posted an EBITDA of Rs.879.39 Crores and the PAT attributable to shareholders of the company Rs.168.63 Crores as against Rs.669.72 Crores and Rs.31.68 Crores respectively in the previous year resulting significant improvement in the EBITDA and gross margin and net profit level. Net profit there is about five times increase it happened in the current year. The company has reported an EPS of 2.99 for FY2018 as against 0.57 of the previous year. The Board of Directors in their meeting recommended a dividend of 50% in the next mandate to the letter of guidance. Now this is about performance and about balance sheet and other figures when you ask the questions we will clarify on those things.

Y.D. Murthy: Just two to three points I will mention here. PAT my colleague has already discussed Rs.102.7 Crores in Q4 and Rs.286.8 Crores for the full year. The PAT margin for Q4 is 4.2% and for the full year it is 3.7%. It is a good improvement the annualized PAT compared to Rs.225.5 Crores in the previous year. The finance cost for Q4 is Rs.99.8 Crores as compared to finance cost in Q4 of the previous year is Rs.102.3 Crores and for the year as a whole the finance cost is Rs.378.9 Crores as compared to Rs.395.7 Crores in the previous year. Depreciation for Q4 Rs.31 Crores and for the year as a whole Rs.117.5 Crores. Cash profit for Q4 Rs.133.9 Crores and for the year as a whole Rs.404 Crores. The debt in the standalone balance sheet at the end of the financial year is Rs.1300 Crores comprising of cash trades and WCDL of Rs.1045 Crores. Short term loan of Rs.50 Crores, initially loans of Rs.205 Crores. This is distinct improvement compared to Rs.1577 Crores at the beginning of the year.

Loans and advances to subsidiaries and associates stood at Rs.605 Crores at the end of the year as compared to Rs.558.5 Crores in the previous year. Investment from the subsidiaries and the associates is Rs.1023.7 Crores as compared to Rs.1028.7 Crores in the previous year not much changed there. Mobilization advance stood at Rs.1434 Crores as compared to Rs.572 Crores in the previous year mainly because of order accretion has happened in FY2018. The mobilization advance has gone up. The retention money is Rs.1834 Crores as compared to Rs.1630 Crores the previous year. Cash balance is Rs.65.9 Crores as compared to Rs.109.5 Crores in the previous year.

Inventory is about Rs.1695.6 Crores, trade receivables is about Rs.2157.4 Crores and debt collection period at the end of the year is 104 days and working capital debt is about 129 days. On a consolidated basis the turnover is Rs.8390.6 Crores and PAT is Rs.168.6 Crores. Finance cost is Rs.459.56 Crores, deprecation is Rs.171.51 Crores and debt on a consolidated basis is Rs.2060.90 Crores. There is a substantial reduction in the consolidated debt. In the previous year it is about Rs.2571.9 Crores, so the debt levels have come down substantially not only at the standalone level, but also at the consolidated level. So these are the opening remarks from the management side. Now we request the participants to ask their questions.

Moderator: Sure. Thank you very much. We will now begin the question and answer session. The first question is from Dhruv Agarwal from Crescita Investments. Please go ahead.

Dhruv Agarwal: Good evening Sir. Congratulations on a good set of numbers. Sir I have three book-keeping questions, one is regarding the EBITDA margins, so for the full year on a standalone basis you have reported EBITDA margins of 11.3%, so are these numbers sustainable going forward or will we see more improvement going towards 12% to 13%?

R. S. Raju: For the year as a whole we reported 11.3% in which there are two onetime aspects are there. Unless you are aware of the bonus what we received from the Agra Road Expressway that element is also there in the 12 months for EBITDA figure. It is about roughly 0.7% and again in the current year about the arbitrage and award claims we received from the NHAI road projects, so that impact is also there. That is about some 0.3% to 0.4% would be there. When we eliminate these two then it comes to some 10.3% or so, so the 10.3% we expect to maintain for the year 2018-2019.

Dhruv Agarwal: Also regarding the QIP money that you have raised have you deployed all of that money or how much is the balance with you right now?

R. S. Raju: As of March 31, 2018 we have not utilized any amount out of the QIP proceeds what we mobilized.

Dhruv Agarwal: You have not utilized any amount?

Y.D. Murthy: The QIP money is parked in our cash credit accounts as a measure to reduce the debt and interest cost on the debt. It will be utilized in FY2019 as and when our top line increases with guidance of 45% increase in the top line and another thing to reach a level of about Rs.11000 Crores obviously which requires additional working capital, so this money will be utilized for that purpose.

Dhruv Agarwal: Sir from that question if you see that standalone basis for the full year was around Rs.380 Crores, so can we expect a similar run rate or will this reduce to around Rs.200 Crores to Rs. 250 Crores levels?

R. S. Raju: The interest cost?

Dhruv Agarwal: The interest cost as far as standalone basis on a whole year?

R. S. Raju: The interest cost as far as outside debt is concerned it would not exceed what the figures, what interest we paid in the current year of 2017-2018, but from the client side now a day's what is happening whenever the orders are received there is mobilization advance and on mobilization advance they are putting the interest also. Earlier we needed to have some 50% interest free advances and 50% interest bearing advances, but gradually the interest bearing advances are increasing, but interest to this figure to certain extent fluctuates and the higher side what we expect is about Rs.424 Crores to Rs.430 Crores and on the lower side is about Rs.360 Crores to Rs.378 Crores like that.

Dhruv Agarwal: So it will be in that range from Rs.360 Crores to Rs.420 Crores range correct?

Y.D. Murthy: If you see the mobilization advance has gone up from 571.9 Crores in the previous year to 1434.5 Crores in the current year mainly because of huge order accretion that has happened in FY2018, so on this highest mobilization advance we have to pay interest, so the interest cost also is going up, though the bank loans are not going up.

Dhruv Agarwal: Last question is regarding on basis for the full year your tax rate has come to 17.1%, so what will it be for FY2019 and FY2020?

Y.D. Murthy: It would be around 29% to 30%.

Dhruv Agarwal: 25% to 30% for FY2019 right?

Y.D. Murthy: It depends upon some appeals or disbursal of the cases within contract department, but we expect between 26% to 32% depending upon the outcome of the orders announcement and other things. We have some positive things, but we do not have any liability towards any pending demands or notices and other things.

Dhruv Agarwal: Got it. Thank you so much.

Moderator: Thank you. Next question is from Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Good evening Sir. On margins you said that there has also been an impact of certain claims or awards from NHAI, so would that be in Q4 or throughout the year it would be spread?

Y.D. Murthy: In Q4 one claim is there and in the Q1 also another claim is there.

R. S. Raju: About two, three claims have been settled by NHAI and money has been received by us, so one has come in Q4 and two have come in the previous quarters, total amount is about 75 Crores, 76 Crores in that.

Ashish Shah: In Q4 it would be how much Sir?

Y.D. Murthy: Q4 is about, the claim is about Rs.50 Crores and it is reported to the bottomline or the margin side about 21 Crores.

Ashish Shah: So 21 Crores is the EBITDA impact, 50 Crores is the revenue impact?

Y.D. Murthy: Correct, entire amount would not participate in revenue, but in pending payable something settlement issues are there after meeting those payments.

Ashish Shah: Sir also there has been 30 Crores impairment in Q4 in the standalone account, so can one assume this is on the international business?

Y.D. Murthy: Now the NCC IHL there is an arbitration with Taqa relating to the hydel power sold to them, so that arbitrage is received and the effects of the liability the NCC IHL the subsidiary company, so the effects of the liability Rs.65 Crores, so the Rs.65 Crores recognized in the books of accounts of NCC IHL. So as a result the carrying cost of my investment will come down, thereby I made a provision for a big gap for what investment I have and what the value I am going to get from the total investment from that company, so for the gap we made a provision, so the provision is basically for the NCC IHL.

Ashish Shah: Right so it is for the Himachal Sorang issue, so it is essentially your outstanding, any equity, which would have been just impaired in Himachal Sorang?

Y.D. Murthy: Yes.

Ashish Shah: Sir another question is that the receivables seem to have increased quite sharply when we see the March number vis-à-vis the last year numbers, at the same time payables have also increased, but if you can just explain why there has been such a big increase in receivables?

R. S. Raju: For increase there are two, three reasons, one is the GST aspect, from some of the clients the GST aspects not fully settle the matter, so on account basis they are releasing the payments and holding certain payments, so on that account some amount nearly 100 Crores, 110 Crores, 120 Crores so the decline and the certain payments relates to UP where we taken up the projects and the projects now going in a slow pace because from their side the budget allocation, funds allocation is there, so some two, three months payments are outstanding is there in Gujarat project. Similarly in Rajasthan also some three, four months payments are pending out there and some projects reached the final stage and in the final stage some reconciliation, some extension of time and those issues are going on, so once those issues settled the payment from the Rajasthan projects will come because the receivables are increased when compared to the previous year.

Ashish Shah: Sure, what would be the working capital level that you would expect in FY2019, given all these about this 129 odd days, is that the level that you are looking or may be it can come down?

Y.D. Murthy: We expect that figure will come down, not goes for the trigger, it will come down from 129 days to 120 days or so.

Ashish Shah: Sure Sir. Thank you for your answers.

Moderator: Thank you. Next question is from Nilesh Bhaiya from Macquarie. Please go ahead.

Inder: This is Inder here. Congratulations on a good set. Couple of questions, one is can you comment on what are the outstanding issues some Middle East projects or other and then that power project, which you sold to, the thermal power project, what is the status of any litigations or arbitrations on these things and what is the likely settlement amount if any, is there any liability, which has been crystallized on that?

Y.D. Murthy: International we are planning to exit and only one project is yet to be completed and some additional work has been given by the client; however, these should have been closed by now and may be it will take another six months for the actual completion and based on the turnover booked and the progress of the work we have already made provisions in our books for certain losses in the international projects and the management thinking is also to close the international business as soon as the balance works are completed and there we have some assets particularly machineries there, which has got good value and we are planning to sell that machinery either in the international market or bring it to India and use it in the domestic market and realize our investments to international subsidiary companies. So the corporate policy is to withdraw our business completely from the international business and recover money. Whatever losses we have incurred earlier adequate provisions have been made. As far as the Sembcorp deal is concerned we have already indicated to the stock exchanges also a bank guarantee of Rs.291.5 Crores was invoked by them, which is unreasonable and unnecessary particularly because our retention moneys are lying with them. Nevertheless we have seen to it that the payment is made by us immediately and there is no irregularity in our bank accounts, which is appreciated by the bankers as well as our rating agencies. We have started the arbitration proceedings against the project company that is Sembcorp Gayatri Power Project and already five, six sittings have happened and the award will be known because both the arbitrators look into the volume of our paperwork that is available to be scrutinized, they wanted 18 months time for completion of the arbitration proceedings and both the companies that is NCC on one side and Sembcorp on another side agreed for that. Now out of the 18 months, six months is over, so we are confident, we believe are in a strong wicket as far as the payments to us are concerned. Our retention money plus the final bill plus the bank guarantee invocation together comes to around Rs.700 Crores. It has got to be paid with interest may be if any liquidated damages are leviable on our account that can be deducted. We are confident the money will come back to us without much difficulty once the arbitration is over.

Inder: Any comment on the real estate in Middle East, Dubai real estate?

Y.D. Murthy: Yes, we have also identified a local developer with the approval and consent of the real estate regulatory authority there who have entered into their tripartite agreement and FCs already handed over to the local developer. On various basis, he is taking care of the liabilities in respect to the project also and as our share of the investment in the project they will give us about 160000 square feet of developed area for which already agreements have been entered into with the consent with real estate regulatory authority there and the 160000 square feet as and when developed and given to us two years from now should give us about Rs.270 Crores or Rs.280 Crores of money where is our exposure in Harmony projects at this point in time is about Rs.225 Crores, so we believe there is a possible potential upside some additional money can also be required.

Inder: Thanks. My second question is on the margin front can you give us some reasons why the margins have gone into double digit levels because that was not the expectation last year, we are looking to be more in the range of 9%, 9.5%, is it because the competition is much lower on the new projects and does that mean as we execute more projects and the older project gets completed, there is a room for us to actually even move towards closer to 10.5% to 11% kind of a PAT?

R. S. Raju: You are asking about EBITDA margins, EBITDA margins for the year as a whole reportedly 11.3%, so in which the one time aspect of bonus is there about 0.7 so when we remove the 0.7 it works out to sometime 0.26 or so and also in the year 2017-2018, which we are reviewing where some claims also we received, so that also helped us to report higher margins, so the one time aspect they may happen higher side and sometimes they may not happen.

Inder: Removing the one time claims the margins are well above 10%, which is better than our expectations?

R. S. Raju: One important thing is we are getting projects with better margins in fact the gross margin has improved to about 18% in FY2018 compared to about 15.5% in the previous year, now that is also getting reflected in the EBITDA margin.

Y.D. Murthy: Another aspect, which we need to note here is the turnover for the topline what we are reporting, in the current year what we reported is excluding GST element and earlier our turnovers were including indirect taxes, so the impact now is there at EBITDA level about 1% impact is there because of GST. So from 10.4 or so when we remove the 1% it comes to 9.4 or 9.5, so this is a increase happen from 8.2 or something we reported earlier 8.5, nearly 1% is the general operating margin expansion because of the product mix or division mix, these all helped us in the expansion of about 1% at EBITDA level. What we want to conclude on EBITDA is the 10.5% is maintainable going forward.

Inder: I just to push that I am seeing that given we have 40%, 45% kind of topline in growth expectation next year, should not there be a reasonable expectation of margins expanding from 10%, 10.5% may be closer to 11%?

Y.D. Murthy: Gross margin level margin expansion will be there, so some improvement at EBITDA level would be there 0.2%, 0.3%.

Inder: Thank you.

Moderator: Thank you. Next question is from Vibhor Singhal from PhillipCapital.

Vibhor Singhal: Good evening Sir. Thanks for taking my question and congrats on a great set of numbers. So my question is one is on the guidance front that we have guided to around Rs.11000 Crores of revenue next year, which is like a 45% growth on a Y-on-Y basis, now I agree that over the past couple of years we have been facing hurdles in terms of demonetisation and GST, but for the past two to three years our topline has been stagnant at around Rs.8000 Crores we have not been able to cross that number. Even in this quarter I think our expectations was probably closer to Rs.2600 Crores to Rs.2800 Crores of revenue, so how confident are we being able to do this Rs.11000 Crores of revenue and also could you just also basically as a part of that also elaborate what is the kind of execution that is happening on various projects especially the Nauroji Nagar or the Telangana housing project, which will contribute significantly towards this Rs.11000 Crores of topline that we are targeting.

Y.D. Murthy: Actually two, three things are helping us to report a topline growth of 45% in FY2018-2019 it is discussed at the board level, the management is very confident of achieving it. One thing is in FY2018 we got almost Rs.24000 Crores of orders out of which almost 50% of the orders are fast track orders to be completed in less than two years, in 18 months, in 15 months and they are likely to add to their topline very substantially. You have mentioned about Nauroji Nagar that is also a fast track project to be completed in less than two years. The pace of execution has improved substantially though there was initial delay in handing over the project site to us in fact recently Ankita Shah of Elara Capital has visited the project site, she has come out with photographs and positive report about the faster execution there. Similar thing is happening in our housing projects, the affordable housing projects in Andhra Pradesh we got substantial orders nearly Rs.6500 Crores so we executed over a period of two years out of which already in some projects one year is over and in fact first batch of projects received are almost complete and handed over to the client, so we are confident based on all these things. The turnover guidance of Rs.11000 Crores in FY2019 is very much achievable.

Vibhor Singhal: Fair enough Sir. Thank you so much. My next question is basically on the provisions that we spoke of, so you mentioned that we have taken Rs.30 Crores provision in this quarter on the back of the Taqa Investment arbitration that we have lost at this point in time. So again just to elaborate what Inder asked so, apart from what we have already provided for is there any other arbitration that we believe that could have significant impact over the next may be let us say 6 or 12 months in which we have not yet provided for?

R. S. Raju: Total amount two obligations for the Taqa about Rs.81 Crores is taken care in the books of accounts, earlier we made Rs.15 Crores and the current year again Rs.65 Crores we made totally Rs.80 Crores we have already taken care and some items are there on that one again we are going for appeal and in that one certain amounts of people have confident to get, so we do not at this moment foresee any major peak in the going forward. It is there some Rs.20 Crores, Rs.30 Crores so we expect, but not a major amount.

Vibhor Singhal: But Sir in the Taqa investment has not the amount of around Rs.150 Crores been awarded to the party?

R. S. Raju: Rs.150 Crores awarded to the party.

Vibhor Singhal: And against that we have made a provision of only Rs.81 Crores as of now?

R. S. Raju: Yes.

Vibhor Singhal: So we believe the remaining Rs.70 Crores is something, which we will not have to pay and we does not require a provisioning?

R. S. Raju: In that one about seven to eight items are there in the appeal, for some items we have good grounds and some items we have 50% grounds, so we have to wait and see on that to come up.

Vibhor Singhal: And Sir do you believe any provision is required for the thermal power plant, which we sold to Sembcorp, I know that we should actually be getting back the money of around Rs.700 Crores, which they have revoked in terms of bank guarantee and retention money, but is there any amount of provision, which might be required in case the arbitration goes into their favour?

Y.D. Murthy: Provision will not be required because first of all the retention money, the final bill and the bank guarantee invoked put together is about Rs.700 Crores. At one time we discussed with them regarding liquidated damages where the clauses are very clear. The delay in supply is attributable to the equipment suppliers the Chinese entity and only the delay in erection should accrue to NCC. According to our estimate some delays are there and may be a portion of about Rs.100 Crores or Rs.150 Crores may be required to be paid for liquidated damages, which means my Rs.700 Crores with interest minus whatever liquidated earnings with interest and in that basis we are defiantly going into gain this arbitration rather than making any provision.

Vibhor Singhal: Fair enough Sir and no provision you foresee have been required for any of the Middle East subsidiaries also?

Y.D. Murthy: Yes.

Vibhor Singhal: And on the BOT projects as well?

Y.D. Murthy: Yes, not required. In that what we have done last three, four years is we have done a lot of cleaning up of the balance sheet and make provision, written off of particularly under Ind-AS, so we have a strong balance sheet now and also the market is giving us very good opportunities in terms of order book and the turnovers.

R. S. Raju: The investment is are going on may be upon the outcome of the closing and completion of the balance work, so major things we have taken place, if any further this thing is there some Rs.20 Crores to Rs.30 Crores is a loss from those operations.

Vibhor Singhal: How much Sir Rs.30 Crores to Rs.50 Crores?

Y.D. Murthy: No, Rs.20 Crores to Rs.30 Crores.

Vibhor Singhal: That could be the provision in the Middle East subsidiary?

Y.D. Murthy: Yes.

Vibhor Singhal: Just to reiterate so you are looking at around may be Rs.20 Crores to Rs.30 Crores of provision for the Middle East subsidiary as we shut them down?

Y.D. Murthy: That is right.

Vibhor Singhal: Last book keeping question, can I have the gross debt at the standalone and consolidated level?

Y.D. Murthy: Standalone Rs.1300 Crores.

R. S. Raju: I gave this already, which is Rs. 2060.90 Crores at consolidated level, standalone is Rs.1300 Crores.

Vibhor Singhal: Thank you so much for answering my questions and wish you all the best.

Moderator: Thank you. Next question is from Charanjit Singh from B&K Securities. Please go ahead.

Charanjit Singh: Congratulations for a good set of numbers. Sir highlighted here that we want to raise Rs.110 Crores convertible warrants we had also done recently Rs.550 Crores of fund raising, can you please highlight like what is the main reason for this warrant issuance?

Y.D. Murthy: Because of QIP the promoter holding the product company is getting diluted by about 1.5%. Also they want to maintain this level and in fact they wanted to go along with QIP preferential offer for a promoter it is about Rs.100 Crores that could not be done because of some technicality. Because some individual promoter sales for transfer among them through the stock exchange and that tantamount to sale and based on the advice given by our merchant banker at the time of QIP who have issues in several promoters at that time. Now the period is over six months and now they are eligible to participate. The idea is the promoters would like to maintain their shareholding in NCC at around 20%. The preferential offer to them will help and the money will be available for the company for this working capital requirements.

Charanjit Singh: If we look at you have highlighted in the call that working capital at least should go down, but we are targeting a 45% growth in topline and so how has been the payment cycle from the states where we have been working on and what is giving us the confidence that the working capital secured should reduce from here on?

Y.D. Murthy: Now the products what we received have a mobilization advance facility. Earlier two years back some orders we secured from Telangana government where there is no mobilization advance. As a result the working capital is increased in the last two years. Now what the new orders they received most of the orders have the mobilization advance facility, so with that one we are not foreseeing any much and moreover the projects were to be taken at the larger side pocket. So earlier some certain projects are there where we completed and final bill payments are not received about Rs.200 Crores to Rs.300 Crores, and also for the last year the process made by the company they matured now and we expect to receive those old amount also in the year 2018-2019. So as a result working capital cycle we expect to stand at around 120 days.

Charanjit Singh: Sir for any further liability, which may arise because of the arbitration, how do we plan to fund that and when do we see this getting fully resolved?

R. S. Raju: NCC IHL they have the claims what they are going to receive from the NHAI relating to four or five devoted road projects, so order for the last three to four years the arbitration proceedings are going on and one after the other they expect to receive, so in a year’s or two years time those claimed amounts are received they have the source to use the source to meet the cost liability so base inventory, award and court proceedings.

Charanjit Singh: Sir if you can just highlight what was the quantum of these claims from NHAI we are expecting?

R. S. Raju: More about Rs.500 Crores and with interest about Rs.650 Crores value of claims, even 40% to middle age they received about Rs.250 Crores to Rs.300 Crores amount.

Charanjit Singh: Fine. Thanks a lot for taking my questions.

Moderator: Thank you. Next question is from Salil Desai from Premji Invest. Please go ahead.

Salil Desai: Sir this is regarding the international order flow of about Rs.600 Crores that you mentioned this is the quantum of the additional one that you mentioned?

Y.D. Murthy: Yes.

Salil Desai: So that is quite large, you think that is a six month completion?

Y.D. Murthy: The additional orders given by the clients at a revised rate where we are expecting good profit and since already our machinery and man power is lined up there we have taken it as a special case and we are confident we will complete it in six months' time. Our idea is to close the international operation, but this order has come with good profits so we have taken it up.

Salil Desai: That is only extension?

Y.D. Murthy: Yes scope extension with better rate.

Salil Desai: Strategy does not change of exiting and coming out of the region that is right Sir?

Y.D. Murthy: Yes that is right.

Salil Desai: Secondly Sir on this retention money again we have seen almost about Rs.200 odd Crores increased from March of last year so are there any specific area where money is stuck and how is the overall progress on relieving retention money?

Y.D. Murthy: See retention money payments are coming as and when the retention money is falling due for payment who do not have any bad debts in retention money. The only thing is the client earlier used to give a clause in the general document for release of retention money with bank guarantee of security. Most of the tenders were coming without this clause, which means the client is not required to pay us so we have to wait till the defect liability paid is over then only retention money will be paid to us. So the buildup of retention money is happening, but all the retention money being paid as and when they fall due for payment and also for whatever reason the retention money payment also just delayed accordingly.

Salil Desai: Thanks a lot.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir as you mentioned that all the projects are going well and that is why we are expecting 45% kind of a topline growth so can we expect 20%, 30% kind of a topline growth in FY2020 also?

R. S. Raju: See we work out a detailed business plan and then come back with the expected turnover, so FY2020 I cannot stick my neck out at this point in time.

Shravan Shah: I understand but just considering the kind of execution momentum will be there, so that will definitely continue in FY2020?

Y.D. Murthy: No considering that what we have seen is we want to consolidate our position, this is the first time we are crossing Rs.10000 Crores mark as far as the topline is concerned assuming that Rs.11000 Crores based on the confidence the management has what we would like to do is definitely we will look at a topline growth of 10% to 15% where you see in FY2019 the order accretion target has also scaled down. We have a target of Rs.14000 Crores fresh order accretion, we are not talking of Rs.24000 Crores, so the idea is to consolidate at this level.

Shravan Shah: In terms of the capex how much we have done in FY2018 and in FY2019 how much are we planning to do?

Y.D. Murthy: In FY2019 about Rs.260 Crores in this new capex and for the next year we expect a minimum of Rs.150 Crores and the rest depends upon how the kind of orders we received.

Shravan Shah: Sir in terms of the UP bonus early completion how much the amount that we have booked in the fourth quarter?

R. S. Raju: It is not fourth quarter. We have accounted in third quarter. Revenue is about Rs.73 Crores and after our meeting gross margin level at EBITDA level about Rs.60 Crores is there.

Shravan Shah: Sir once again I request to give a breakup of order book and order in front revenue segment wise?

Y.D. Murthy: We were hosting that on our website in a day or so kindly take it from there we already given that it is honestly waste of time and the other participants will be disappointed. We are hosting it on website by tomorrow.

Shravan Shah: Thank you Sir.

Moderator: Thank you. The next question is from Subramaniam Yadav from Subhkam Ventures. Please go ahead.

Subramaniam Yadav: Sir just wanted to again understand the hydro deal, at max we need to do around Rs.70 Crores of provision if at all we need to pay Rs.150 Crores to Taqa right?

R. S. Raju: Rs.70 Crores provision we have taken care in the infra accounts.

Subramaniam Yadav: 70 Crores plus another Rs.30 Crores on the international subsidiaries right?

R. S. Raju: The provision what we made in standalone is different, in standalone provision Rs.65 Crores and Rs.15 Crores, 80 Crores provision is made at the subsidiary company level that is NCC IHL level.

Subramaniam Yadav: NCC IHL level right.

R. S. Raju: Since when they are recognizing the loss on account of that one my investment is also coming down the value of my investment.

Subramaniam Yadav: So you are taking impairment?

R. S. Raju: It is not the one project they have, there are five to six projects so when I revalued abSout some Rs.30 Crores to Rs.40 Crores gap is there, thereby Rs.30 Crores in Q4 I made a provision.

Y.D. Murthy: It is impairment in our investment in our subsidiary company.

Subramaniam Yadav: So any further liability if you want to pay then that has to come, that will again come into our books if we need to pay the full amount?

R. S. Raju: Standalone books of accounts when we call them and again they have some claims amount receivable from the NHAI about BOT project claims. They have about 600 Crores claims at various level. So how much they received if they received only Rs.50 Crores or Rs.100 Crores then I need to make a provision, if they received Rs. 300 Crores or so a surplus would be there and now provision is required even Rs.50 Crores, Rs.100 Crores, given the loss recognized by the NCC IHL.

Subramaniam Yadav: Sir finally can you give us the breakup of other income and interest cost for the full year?

Y.D. Murthy: Other income about Rs.116 Crores or so.

R. S. Raju: First I will give you the breakup of the finance cost.

R. S. Raju: Rs.89 Crores relates to the interest income from the group company and some Rs.21 Crores by interest relates to the refund amount issued from the income tax department.

Y.D. Murthy: Income tax refund is Rs.35.8 Crores, interest from group company is Rs.51.6 Crores, interest on deposits is Rs.8.5 Crores and loans and advances is Rs.51.6 Crores, and income tax refund is Rs.35.8 Crores. As far as the finance cost is concerned, I will give you for the year as a whole, Rs.378.9 Crores is there out of which interest on term loans is Rs.12.8 Crores, interest on cash credit and working capital demand loan is Rs.205.1 Crores, interest on mobilization advance is Rs.63.1 Crores, last year the interest on mobilization advance is only Rs.32 Crores because mobilization advance level has gone up the interest has also gone up. Interest on others is about Rs.5.6 Crores and in the finance cost we include BG commission also. BG commission is Rs.75.7 Crores and the LC commission is Rs.11.5 Crores and bank charges is about Rs.5.4 Crores, totally Rs.378.9 Crores for the year as a whole compared to Rs.395.7 Crores in the previous year.

Subramaniam Yadav: In the other income Rs.89 Crores from the group companies actual the cash flow is coming?

R. S. Raju: We received about to Rs.45 Crores

Subramaniam Yadav: Rs.40 Crores to Rs.45 Crores?

R. S. Raju: About 50% received.

Subramaniam Yadav: Fine Sir. Thank you very much.

Moderator: We take the last question from the line of Kunal Bhandari from HDFC Securities. Please go ahead.

Kunal Bhandari: Sir I think NCC has won one HAM project in UP expressway if I am not wrong some Rs.1700 Crores L1 what are we venturing further into HAM?

Y.D. Murthy: We have not received any HAM projects as of now, but we started bidding for HAM projects we are yet to get it. We are looking at it as a business.

Kunal Bhandari: What are the views like, what sort of margins can NCC make in HAM projects?

R. S. Raju: See HAM projects of basically BOT sort of annuity projects. At SPV level the profit margin Haryana can generate only about 10.5% to 11%, but the developer has to take care of maintenance also and how much of the maintenance cost is involved and any profit margin is there if you can retain it in the project, all those things are involved, but basically they are annuity projects.

Kunal Bhandari: If you get any of the HAM projects Sir, are you confident like your equity requirement for HAM would be?

Y.D. Murthy: We are looking at HAM projects of say Rs.1000 Crores where the equity requirements somehow said may not be more than Rs.150 Crores, we have started bidding for HAM projects.

Kunal Bhandari: Sure Sir. Thank you that is all.

Moderator: Thank you. I would now like to hand the conference back to Ms. Ankita Shah for closing comments.

Ankita Shah: Thank you so much to the management for giving us an opportunity to host the call and patiently answering questions of all the participants. The management would like to add any comments.

Y.D. Murthy: I thank all the participants and also Elara Capital and Ankita Shah in particular for hosting this conference call. If any participants have any further questions, they can reach us or they can send us e-mail and we will be glad to answer that. Thank you very much.

Moderator: Thank you very much. On behalf of Elara Securities that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.