

Ref. No.: NCCL/ 2017

Date : 29-05-2017

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
MUMBAI – 400 001.

Dear Sir(s),

Scrip Code : NSE: NCC & BSE : 500294

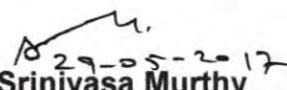
Sub: Transcript of the conference call.

Please find enclosed herewith the transcript of the conference call that took place on 23rd May, 2017 for discussing about Audited Financial Results (**both standalone and consolidated**) for the 4th quarter and financial year ended 31st March, 2017. Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.


M V Srinivasa Murthy
Company Secretary & EVP (Legal)

Encl : As above





**“NCC Limited Q4 FY17 Results
Conference Call”**

May 23, 2017



ANALYST:

**MR. JASPREET SINGH ARORA - SYSTEMATIX SHARES
& STOCKS LIMITED
MS. DIVYATA DALAL - SYSTEMATIX SHARES &
STOCKS LIMITED**

MANAGEMENT:

**MR. Y.D. MURTHY - EXECUTIVE VICE PRESIDENT
FINANCE - NCC LIMITED
MR. S.V.N. BHANOJI RAO - VICE PRESIDENT
FINANCE - NCC LIMITED
MR. SIVA RAMA KRISHNA - MANAGER, FINANCE -
NCC LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the NCC Q4 FY2017 Results Conference Call hosted by Systematix Shares & Stock 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 call 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 Mr. Jaspreet Singh Arora from Systematix Shares & Stocks. Thank you and over to you Sir!

Jaspreet Singh Arora: Good evening to everyone and welcome to the fourth quarter earnings call for NCC. We have with us Mr. Murthy and his team. Over to you Sir!

Y.D. Murthy: Thank you. Good evening all the participants. I am Y.D. Murthy, Executive Vice President, and Finance from NCC. I have my colleagues, Mr. S.V.N. Bhanoji Rao, Vice President Finance and Mr. Siva Rama Krishna, Manager, Finance. I will briefly tell you about the fourth quarter results as well as the annual results of the company and after that we can have a question and answer session.

For the fourth quarter, we have done on a standalone basis a topline of about 2187 Crores as compared to 2529 Crores in the fourth quarter of the previous year. EBITDA for the fourth quarter is 174.16 Crores and net profit of 63.71 Crores. EPS is 1.15 as against 1.36 in the fourth quarter of the previous year.

For the year as a whole the company has done a topline of 8032 Crores as compared to 8549 Crores in the previous year. EBITDA is 685.17 Crores, Net profit is 225.50 Crores. Earnings per share were 4.06 as compared to 4.32 in the previous year. On a consolidated basis the topline is 9204 Crores as compared to 9660 in the previous year. EBITDA is 669.72 Crores and PAT is Rs.31.68 Crores and EPS is Re.0.57 as compared to Rs.2.17 in the previous year.

During the year, the company has secured fresh orders of 9226 Crores and order book of the company stood at 18088 Crores at the end of the financial year FY2017.

I will give you the bifurcations order book. The total orders at the end of the March 2017 is 18088 Crores, and in this buildings and roads put together is 8293 Crores that is 46%, water environment and railways put together is 3349 Crores that is 19%, electrical is 1609 Crores that is 9%, irrigation is 1903 Crores that is 11%, metals is 47 Crores power is 51 Crores, mining is 1874 Crores and international is 962 Crores.

As far as the new orders received is 9226 Crores out of this buildings roads put together is 4330 Crores that is 47%, water and railways put together is 796 Crores that is 9%, electrical is 1178 Crores that is 13%, irrigation is 1325 Crores that is 14%, metals is 30 Crores, power is 15 Crores mining is 1851 Crores that is 20%, international there is a scope reduction of nearly 300 Crores. So the total orders received in the current financial year in FY2017 9226 Crores.

As far as the execution is concerned the total execution including the international is about 8792 Crores out of which buildings and roads put together 4413 Crores, water and railways put together 2337 Crores, electrical 482 Crores, irrigation 305 Crores, metals 37 Crores, power 225 Crores and international 993 Crores total 8792 Crores.

The subsidiary companies of the company comprising of our international contract in subsidiaries NCC Urban Infrastructure and NCC Infrastructure Holdings, OB Infra and other subsidiaries reported a topline of 1086 Crores and a loss of 190 Crores for the year that has ended March 31, 2017. In that Oman and Dubai put together turnover is 938 Crores and loss is 124.58 Crores, NCC Urban 92.3 Crores topline loss of 9.88 Crores, NCC Infrastructure Holdings 92.75 Crores topline and loss of 32.82 Crores, OB Infra 98.76 Crores turnover and a loss of 9.39 Crores, total is 1086 and a loss of 190 Crores.

We have reported EBITDA margin of 8.7% for the year as a whole as compared to 8.9% in the previous year and for the fourth quarter EBITDA margin is 8.1%.

The standalone debt on the books of the company is 1577 Crores. The total debt at the end of the year is 1577 Crores in this cash credit and working capital demand loan is 1529 Crores, long-term loans is about 32 Crores and machinery loans is 16 Crores. The debt has come down by about 307 Crores compared to the previous year when the debt was about 1884 Crores.

There is a good reduction in the finance cost. The finance cost for the year as a whole has come down to 395.7 Crores as compared to 508.9 Crores in the previous year likewise in the fourth quarter also the finance cost has come down to 102.3 Crores as compared to 130.7 Crores in the previous year.

The loans and advances to group companies has come down to 558.5 Crores as compared to 1122 Crores in the previous year and investments in group companies is about 1028.7 Crores as compared to 957 Crores in the previous year and the group exposure of NCC in the last year it is 2079 Crores it has come down to 1587 Crores in the current year mainly because of monetization of our assets.

Mobilization advance is 571.9 Crores as compared to 633.2 Crores in the previous year. Retention money is 1630 Crores, cash and bank balance is 109.5 Crores, inventories 1525.8 Crores, the trade receivables 1585 Crores. The debt collection period is about 74 days it is quite stable compared to the previous year.

This is as far as the management presentation is concerned. I now request the participants to ask their questions and also request that the participants the questions will not be more than two and we will take total of about 20 questions. Thank you.

Moderator:

Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

- Parikshit Kandpal:** Mr. Murthy congratulations on good set of numbers. Sir, just on this exceptional item of 50 Crores so provision for warranties and claims can you just explain it a bit in detail and going forward what is the outlook on this item?
- Y.D. Murthy:** Yes exceptional items have already given in the notes. See exceptional items for the year as a whole March 31, 2017 is 50.34 Crores out of that interest income were received pertaining to previous years is 27.72 Crores profit on sale of investment is 21.92 Crores and a provision for impairment plus the provision for warranties and claims is about 50 Crores so the total provision exceptional items is 50.34 Crores for the year as a whole.
- Parikshit Kandpal:** I am seeing that I just wanted to know what are this warranties and claims like provision for warranties and claims?
- Y.D. Murthy:** Yes that is our liquidity damages we have provided for our Nellore Power Project based on the advice given to us by our statutory auditors.
- Parikshit Kandpal:** This was for the land value.
- Y.D. Murthy:** No in our liquidated damage we are EPC contractors so there were some delays. There we have possibility that the client may offer liquidity damages so we have proactively made the provision in our books of accounts.
- Parikshit Kandpal:** Sir just lastly on the subsidiaries we had incurred a loss of 190 Crores all the subsidiaries put together so can you give some more colour and going forward in FY2018 so what kind of financials do we expect from these subsidies and there is a quantum of loss is wide huge?
- Y.D. Murthy:** See the domestic subsidiaries like NCC Urban and NCC Infra the Indian companies they will turnaround as far as FY2018 be concerned. There will not be any losses. OB Infra is also expected to reduce the losses if not totally removed. The issue is about the international subsidiaries the both Oman and Dubai where the projects are under completion. We are executing a large road project Batinah Expressway nearly 2200 Crores the phase I is completed and handed over to the client. Phase II is under the implementation it may incur little more loss in the current year as well, but that is the last project we have got as far as international project is concerned. So in the current year that is FY2018 the losses on the subsidiary companies are likely to reduce substantially.
- Parikshit Kandpal:** So what will be the residual loss in this Oman and this is for the Batinah Expressway now?
- Y.D. Murthy:** See that we have already given. What we have incurred in FY2017 but current year these losses could be brought down substantially beyond that I cannot tell anything at this point in time.
- Parikshit Kandpal:** That is all from my side. I will join the queue.

Moderator: Thank you. Next question is from the line of Abhijith Vara from Sundaram Mutual Fund. Please go ahead.

Abhijith Vara: Thanks for taking my question. Sir first question is your execution has been impacted in the last couple of quarters if I look at the year-on-year growth rate for Q2, Q3 and Q4 that has increasingly the deterioration was higher in subsequent quarter. Now for Q1 FY2018 what is the outlook is there any turnaround in the rate of execution and for the entire year where do you see the execution of order book standing at?

Y.D. Murthy: First of all why the topline was not achieved last year the third and fourth quarters were very difficult for us. That has impacted the topline. One issue that comes to my mind is our electrical division has done substantial work some government agencies in UP and because of the elections the payments were not released in time. In fact there was delay of as much as eight to nine months in payment of our bills by the government agencies there and because of that the topline also could not be achieved because we cannot go on pumping money to execute the projects so that has impacted the topline and other important thing is because of our demonetization in November 2016. The process of execution has slowed down initially in the first one month or so and that also impacted the topline to some extent and also we experienced some delays in payment of bills by government agencies in our water division that also impacted the topline so to result the FY2017 topline is about 450 to 500 Crores less than FY2016 the reasons are there but as far as current year is concerned, first quarter, I cannot give a number right now but we are looking at a topline growth of at least 8% to 10% compared to the previous year.

Abhijith Vara: Sir my next question is, is there any L1 position for the order book as of now? What is the order book target for the entire year if the order book is remaining flat how can the topline execution we achieved?

Y.D. Murthy: You see already we have become L1 in about 2000 Crores of orders in the first quarter of the current year so far and further orders are also expected. They comprise of some metro projects, some electrical projects, and some water pipeline projects. Current year we are targeting fresh order attrition of at least 10000 Crores the order book growth will definitely be there and that will definitely help us to have a growth in the topline for FY2018.

Abhijith Vara: I will get back to queue. Thank you.

Moderator: Thank you. The next question is from the line of Nitin Arora from Aviva Life Insurance Limited. Please go ahead.

Nitin Arora: Good evening Sir. Sir just first question is the total order inflow of 9226 Crores you said the mining is 1851 Crores, is it the mining MDO order right?

Y.D. Murthy: Yes absolutely.

- Nitin Arora:** So have we reduced the value of mining MDO order?
- Y.D. Murthy:** Yes there was a discussion at the board level. You are absolutely right. As you know it is a big order for spreading over 30 years and initially what we have done is we have taken the average execution cycle for five years whereas in reality what is happening is in the first year of commercial operation, this MDO project will generate that is extract coal and supply of about 4 million tonnes which will give us a topline of only about 380 Crores at the entity level at SPV level and then it is progressively going to be increased to about 15 million tonnes by the end of the sixth year so what we have done is we have taken the executable achievable topline for six years and out of that our share would have taken so that they have come down to about 1851 Crores.
- Nitin Arora:** Sir in that case we have ended our order inflow for the EPC business at about 7375 Crores plus 2000 Crores you have an order LI at this point?
- Y.D. Murthy:** Yes correct.
- Nitin Arora:** Sir my second question to you is and you talked about your topline numbers but it seems like the order intake has to be very fastest in the first half. Coming onto the next question is on the gross debt you said your gross debt has reduced significantly about 1580 Crores so is it do you see this more as a one-off because our execution in the second half was anyway which was lower we got one time payments which was left to get recovered from our road projects and others do you think what sort of debt you envisaging for the next year assuming your assumptions of 8% to 10% topline growth and if you can also give us the absolute interest cost you looking at?
- Y.D. Murthy:** First of all FY2017 the debt on the standalone balance sheet is 1577 Crores. We were able to receive some big payments in the month of March particularly the electrical division which I was mentioning the payments after the elections the payment cycle started so monies have been received and also we had an income tax refund of nearly 127 Crores which we received on March 31, 2017 so all these things have helped us to bring down the debt levels in the books of the company, but having said that and looking to a topline growth of 8% to 10% in the current year we believe the debt levels may go up slightly to arose 1800 to 1900 Crores so for the current year we would like to retain the debt levels between 1800 to 2000 Crores.
- Nitin Arora:** Sir absolute interest cost if we have to build?
- Y.D. Murthy:** Interest cost see we have shown you already 508 Crores of previous year has become 395 Crores and we have saved finance cost of nearly 113 Crores in a full year and now our rating also has improved we have want to A- category by two rating agencies based on the rating upgrades that we received. Earlier we were in trouble B+ category. We are expecting further reduction in the interest cost as well as the cost of the bank guarantees and LCs so that we already took up the matter with the lenders but it will take a little more time maybe the further reduction in the

interest cost may come and for FY2018 the total finance cost could be in the region of say 360 to 370 Crores.

Nitin Arora: This is helpful and all the best. Thank you.

Moderator: Thank you. Next question is from the line of Danesh Mistry from Tata Mutual Fund. Please go ahead.

Danesh Mistry: Good evening. Actually I had couple of questions related to the previous caller, but I just wanted to ask another question, which is I remember we have talked about some land sales as far as we were doing one was for the Bengaluru metro and the other was ITC land at to ONGC so any update on that?

Y.D. Murthy: Yes absolutely unfortunately what has happened is because of the slowdown in the real estate sector both the deals could not happened in FY2017 but Sir the metro project is already notified and I think in the current quarter most probably the deal will be done and money will be received but the other Kakinada land sale is still on hold. It may take a little longer maybe in the next by the end of the first, by the end of the second quarter who may receive that money also.

Danesh Mistry: So what would be the kind of consideration that we would receive both from the metro as well as Kakinada?

Y.D. Murthy: We are likely to get about 135 to 140 Crores both the projects put together but that will be in our subsidiary that is NCC Urban.

Danesh Mistry: But like normal would that money be used to again repay some loans and advances.

Y.D. Murthy: Yes they are likely to repay part of the debt taken from the parent.

Danesh Mistry: How much is the Bengaluru deal in that with the 140?

Y.D. Murthy: I think it will be around 35 Crores.

Danesh Mistry: One more thing Sir you talked about the fact that you having you are kind of working capital has gone up on the water project so do you see that working capital situation stabilizing now?

Y.D. Murthy: Yes absolutely in the fourth quarter particularly in the month of March, many of these government agencies because their annual budgets are expiring on March 31, so payments were received water division also contributed substantially to the cash flow of the company in the particularly second half of the month of March so all these cash flows were utilized in to park rail in our cash credit accounts that is one reason why the outstanding debt has come down as on March 31.

Danesh Mistry: Thank you very much.

- Moderator:** Thank you. The next question is from the line of Abhijith Vara from Sundararm Mutual Fund. Please go ahead.
- Abhijith Vara:** In terms of working capital cycle for the next year if you could help us understand whether the current levels will be maintained or it can be bettered based on the orders we have right now?
- Y.D. Murthy:** Working capital cycle has improved substantially for us during the last two years and we have already demonstrated that our debt collection period is one of the best in the industry for the last quarter is about 74 days the working capital days always come down to about 110 or so of course our effort will be there to improve on this but given the market conditions and the sector in which we are operating further improvement we have maybe difficult but nevertheless we definitely maintain these levels.
- Abhijith Vara:** Sir my second question any equity or cash support required for subsidiaries any of your subsidiaries in the current year?
- Y.D. Murthy:** No absolutely not.
- Abhijith Vara:** Thank you.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir just one clarification needed on the balance sheet in trade receivable this FY2017 the debtors is 3535 Crores is there any reclassification?
- Y.D. Murthy:** Yes based on Ind-AS some reclassification has been done. My colleague Siva Rama Krishna will tell you those numbers.
- Siva Rama Krishna:** Out of the retention money it is 1630 Crores the withheld amount is around 498 Crores balance sheet is receivables.
- Y.D. Murthy:** 1575 Crores receivables.
- Siva Rama Krishna:** Yes.
- Shravan Shah:** Sir pardon me out of 3535 you said?
- Siva Rama Krishna:** Out of 3703 withheld amount is around 498 Crores, retention money is 1630 Crores, receivables is around 1575 Crores.
- Y.D. Murthy:** There is a 498 Crores of withheld amount is our money is where the client has not paid us for various reasons but they are nevertheless will be received in due course of so the total receivables

comprises of these three components. Receivable the trade receivables retention money's and withheld amounts.

Shravan Shah: Sir tax rate for this quarter this is mainly because of the exceptional item it is negative otherwise but FY2018 it will be normal that we can assume the normal level of tax rate?

Siva Rama Krishna: Yes, but one thing is the GST is also coming now we are also examining it so I think we will be able to maintain the normal rate.

Moderator: Thank you. The next question is from the line of Manish Jha from Moody's Analytics. Please go ahead.

Manish Jha: Thanks for taking up my questions. Just a couple of quick questions on a revenues and topline front we see that there is a decline of around 13.5% so how much of that do you attribute to the impact of demonetization?

Y.D. Murthy: There are three factors why the topline has come down one is as I told you in the beginning itself the electrical division payments were delayed and so further execution in those projects which has stopped by us. Likewise in water division also because client was not paying as in time some delays were there in execution. Third one is general slowdown in the economy because of demonetization and particularly because many trucks were stranded on the highways particularly in the first one month of the demonetization period and because of the raw materials could not reach the project sites in time and that has affected the topline again, but I cannot apportion to what is the reason for all these things put together they contributed to the decline in the topline.

Manish Jha: You gave a breakup of the order book and inflow right so I probably missed that part can I just have it one second if you may provide it.

Y.D. Murthy: Yes colleague, Bhanoji Rao will tell you the numbers.

Bhanoji Rao: The breakup of closing order book 18088 is like that the buildings and roads division is 8293 that is 46%, water and environment 3349 Crores that is 19%, electricals 1609 Crores that is 9%, irrigation 1903 Crores that is 11%, metals 47 Crores, power 51 Crores, mining 1874 Crores and a international 962 Crores.

Manish Jha: Our inflow of around 9226 Crores.

Bhanoji Rao: Yes.

Manish Jha: So can I have a breakup of this as well as the executed order?

Bhanoji Rao: The order intake I will tell you first buildings and roads is 4330, water and environment 796.

Manish Jha: So this includes water environment and railways to right.

- Bhanoji Rao:** Yes.
- Manish Jha:** 796.
- Bhanoji Rao:** 796, electrical projects is 1178, irrigation is 1325, metals 30 Crores power 15 Crores and mining 1851 Crores and the international there is a scope reduction that is 299 Crores.
- Manish Jha:** Roughly 300 Crores.
- Bhanoji Rao:** Yes Sir.
- Manish Jha:** Can I have breakup on the executed orders is that possible?
- Bhanoji Rao:** I will give you the buildings and roads is 4413 Crores, water and environment and railways put together 2337 Crores, electricals is 482 Crores, irrigation is 305 Crores, metals is 37 Crores, power is 225 Crores, mining there is no execution and international is 993 Crores.
- Manish Jha:** Thanks a lot sir and I will return back to the question queue.
- Moderator:** Thank you. Next question is from the line of Nitin Arora from Aviva Life Insurance. Please go ahead.
- Nitin Arora:** Just a follow up question on the GST now when we look at the schedules of GST there are two schedules what we are going through is one is 19 and one is 27 the 27 says the composite supply of contracted about 18% tax rate whereas the other which says that the construction of a complex building and sales structure at about 12% so we should go with the 27 schedule number one and the follow up question with that, that if as a contractor I have been allowed as a credit on the import for example our import is cement which is also tax at 18% ideally it should not impact us in any which is positive, negative which ideally should be a pass through so if you can throw some light on it?
- Bhanoji Rao:** Yes definitely input tax is a pass through for us we can claim that we have done the study as far as VST is concerned at 18% it is more or less tax neutral for us because the service tax in work contract sales tax and the input credit we get on excise duty and on the raw material purchases I think it is going to be more or less tax neutral as far as our construction business is concerned.
- Nitin Arora:** Sir just a follow up on it due to certifying certain bills for the contractors during the first half do you see any disruption because lot of contractors will try to take earlier certify the bills earlier in terms of not getting into the GST part so just wanted to understand from an operational perspective does that impact our billing in certain way for the first half.
- Bhanoji Rao:** See billing is a function of work executed right every month we have to do the billing we will do it suppose I do not execute the work I cannot bill for a higher amount it is as simple as such, but having said that in the GST regime at least in the first quarter and maybe in the first two quarters

there could be some confusion there could be some delays in certifying our bills by the clients but we are prepared for that.

Nitin Arora: Thank you very much.

Moderator: Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Good evening Sir. Two questions one, our loans and advances to subsidiaries have been sturdily coming down but yet the other income is almost at par with what we had reported last year, last year we had some 51 Crores and this year we have 47 so what is the reason for such a high other income and how should we estimate this for future?

Y.D. Murthy: No for a year as a whole if you see other income last year was 224 Crores whereas this year is 140 Crores. There is a substantial reduction in the other income and also I will give you the bifurcation of the other income see one thing that has happened is because of Ind-AS in some of our subsidiaries particularly the international subsidiaries the debt was converted into equity and so the other income definitely is not there because it is basically it is an interest income and then we have got some tax credits, tax interest income we received in the current year about 44 Crores. That is income tax refund interest income on the income tax refund is about 44.1 Crores and the interest on loans and advances last year that is FY2016 is 173.9 Crores were in the current year it has come down to 85.3 Crores almost 50% of what it was previous year. So the 140 Crores of other income in the current year includes interest income of 44.1 Crores from the income tax department.

Ashish Shah: Sir was this substantially received in Q4 or this would be spread out during the year?

Y.D. Murthy: Income tax refund.

Ashish Shah: Yes Sir interest on income tax refund?

Y.D. Murthy: That is on fourth quarter only in the month of March.

Ashish Shah: So by and large this entire 47, 44 you are saying it should be interest on IT refund.

Y.D. Murthy: Yes absolutely.

Ashish Shah: Sir second question is on the margin you guided for revenue growth but what could be the margin that you would guide for?

Y.D. Murthy: Current year we are looking at an EBITDA of around 9% to 9.15%.

Ashish Shah: So this quarter the margin was low primarily because of lower revenue so I mean that would have made the impact?

- Y.D. Murthy:** Yes lower revenues and also difficult market environment cycle even the previous quarter was also difficult all these things are there but if you take the FY2017 is base and look at the next four or five years, we are confident we can grow at topline of about 8% to 10% year-on-year and also EBITDA margin also around 9.25% to 9.5% for the current year that is FY2018 we are looking at EBITDA of 9% to 9.15%.
- Ashish Shah:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Ashish Agarwal from Principal Mutual Fund. Please go ahead.
- Ashish Agarwal:** Thanks my questions have been answered.
- Moderator:** Thank you. We will move to the next question. The next question is from the line of Prabhat Anantharaman from B&K Securities. Please go ahead.
- Prabhat A:** Thanks for the opportunity. Sir you mentioned in your loans and advances to subsidiaries out of the total of 1587 Crores how much would be your exposure to real estate Sir?
- Y.D. Murthy:** See one is major thing is NCC Urban where nearly 400 Crores of debt is sitting then we have got some loans and advances in our NCC Urban Vizag and also in our Jubilee Hills check-post. I think the total it should be something like around 600 Crores exact numbers I do not have right now but it should be in the range of about 600 Crores.
- Prabhat A:** So you are telling me our total exposure to real estate is 1000 Crores.
- Y.D. Murthy:** Absolutely, it is 1000 plus in fact.
- Prabhat A:** Sorry Sir.
- Y.D. Murthy:** 1000 plus it could be around 1100 to 1200 Crores including equity investments and loans and advances to real estate companies.
- Prabhat A:** Sir so basically what I want to understand is how do we expect to you have given us kind of a guidance on fact that you are going to get some 130, 140 Crores of real estate money from land sale in Kakinada and Bengaluru in NCC Urban but the remaining 1200 Crores this has been a major overhang for us where this not been revenue remunerative for us so how do we expect to reduce our exposure or monetize this asset to a benefit?
- Y.D. Murthy:** See if you look at our operations BOT assets and also invest in the real setae assets. In BOT already we have seen substantial progress in terms of monetising our BOT assets and about two and a half years back we sold Himachal Sorang one power asset and last year we sold the coal based project at Nellore the Sempcorp deal and the deal that they had gone by that is FY2017 we sold two road assets. That is Western UP and Bengaluru Elevated Tollway. Now the focus is on

unwinding our exposure to real estate subsidiaries and NCC Urban as I told you about 400 Crores of debt is there on their books by sale of these two land parcels they are likely to get about 130, 140 Crores. They have definitely going to repay about 100 Crores to the parent and also they have come out with a business plan and they want to progressively reduce the loans taken from the parent in the next four years and bring it down to zero. Then other real estate investments where NCC has directly invested like Jubilee Hill check-post project we gave it for giant development with Mantri where we invested about 100 Crores and the development work has started in the next two to two and a half years we are likely to get back that money. Likewise NCC Vizag Urban we invested nearly 160 Crores and the discussions are going on. Now Vizag the property has appreciated the going rate further or land is about 3.5 to 4 Crores per acre but we have to develop that project and sell it to the end user so we are the discussing with the government state government now Vizag has become the largest city in the estate of Andhra Pradesh and the government is also having good plans to develop it as a IT destination. Land has become valuable for us. We are planning to actually offload 45% to 50% of the land in favor of our private investors in the real estate segment the discussions are going on but it may take some time.

Prabhat A: I get this is sound like a very good elaborative plan but I just wanted to know now to whatever money you invested in the land that actually to NCC into the land in Jubilee Vizag are you planning for when you used to telling me you are selling 45%, 50% of the land in the open market but then are you planning to invest anything further to fund the construction on the land parcels or how do you plan to exit the remaining portion of it?

Y.D. Murthy: See as far as the Vizag land is concerned 75% of that 100 acre can be down and has a residential complex but our experience is once the land is with you the progressive payments and milestone payments that you receive from the prospective investors you will be able to complete the project so you done it in number of project.

Prabhat A: You will bring somebody else onboard to do this.

Y.D. Murthy: Yes we will bring somebody else in which case what happens is see I invested 150 Crores by selling 45% to 50% stake I am likely to get about 200 Crores which means my investment is somewhere some profit has comeback but together we can develop the projects and as I told you either they are self financing as far as the residential real estate development is concerned. So we are not putting any further money but if any requirement is there at HPEB level from borrowing can be considered.

Prabhat A: But NCC parent company will not further invest any money into real estates.

Y.D. Murthy: Yes.

Prabhat A: Sir one last question on the arbitration front have we realized any revenues from arbitration in this quarter and even if we are going forward what is the current outstanding claims that we have raised on the clients and how much do we expect in FY2018?

Y.D. Murthy: Right now we have got our arbitration claim pending with NHAI. It is under process and we have already given the bank guarantees so we have done the escrow agreement and all that that money is expected in the next 15, 20 days and it is something like about 21 or 22 Crores we are likely to get. Other than that we received about 120 Crores worth of arbitration awards in our favor and with by giving bank guarantee as a security we are likely to get about 90 Crores but that is a process due to take some time some of them are from state governments and will there, there is a grey area where the state governments will also fall in line with the cabinet decision of the central government and process the arbitration claims we have to see but my gut feeling is the balance money should come in FY2018 the balance 90 Crores minus 22 Crores the balance should come in FY2018. Other than this arbitration in various stages with various government agencies particularly the National Highway Authority about 1500 Crores arbitration proceedings are going on and now they have been moved to fast track which means they can be finalized with the next one year to 18 months time.

Prabhat A: So we have not formally set any kind of a target where we have in terms of arbitration we are fairly confident that we will recognize this 90 to 100 Crores of what is existing there and we just have to furnish bank guarantees but the 1500 Crores we do not have any formal target of how much we would get but we are fairly confident that in the next 12 months to 18 months this should get faster?

Y.D. Murthy: Yes how much will be awarded is difficult to say but because they are being move to the fast track that arbitration act of the October 2015 where the mandate is there that they should be closed in 18 months and once they move there things will move faster that is the plan.

Prabhat A: Just Sir one last question I wanted to squeeze and if I must have missed it did you provide any order inflow guidance for FY2018 and 2019 if you could share and again.

Y.D. Murthy: 2019 definitely is not there FY2018 I already told by about 10000 Crores of fresh orders we are targeting.

Prabhat A: Any specific sector that we are looking at or all geographies?

Y.D. Murthy: All geographies. We are in an all India company we operate in about 26 states out of the 29 so definitely all over India we are participating in the bidding process. We are confident of getting some road projects, some building projects and some water pipeline projects and buildings particularly in the capital city of Amaravathi the state of Andhra Pradesh and the road projects some EPC contracts that is cash contracts and also maybe one or two hybrid model annuity projects.

- Prabhat A:** That is it from my side Sir. Thanks a lot Sir. Good luck.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir my first question was that is respect to our exposure to our subsidiary something you are sourcing with so on a sequential basis from Q3 FY2017 to Q4 FY2017 the number seems to have come down by some Rs.300 odd Crores so which entity would have made this payment to us and that is what I mean make I understand and as you explained our real estate exposures seems to have remained the same has been Rs.1100 or Rs.1200 odd Crores so which is affect these real estate has not given us any money at least in 4Q so what do you explain this Rs.300 odd Crores of dip in number in this quarter?
- Y.D. Murthy:** NCC Infra has repaid loan of about 400 Crores taken from the parent company that is why the exposure has come down.
- Prem Khurana:** So NCC Infra managers payment from Sampcop?
- Y.D. Murthy:** Yes absolutely and also the monetization of Western UP, monetization of BETL all those monies there we received actually and out of that they have repaid the loan taken from the parent.
- Prem Khurana:** Sir last one we were talking about our second and wherein we were already L1 so any update on the same.
- Y.D. Murthy:** We have not yet got the letter of intent we will declare it when we receive that.
- Prem Khurana:** Just one last if I may just wanted to understand how then it is progressing on our Telangana irrigation water order so this in your opening remarks you talked about some payment delays in our water division so would it be Telangana or some other clients?
- Y.D. Murthy:** No, not that the water delays I was talking about the water pertaining to some water projects in Tamil Nadu and Rajasthan. As far as the water grid projects of Telangana government are concerned all the payments were being received in time and in fact the many of the projects have reached a level of 75% to 100% completion they are all progressing as per schedule.
- Prem Khurana:** Now how much have we already executed from the Rs.5000 odd Crores of order that we received from Telangana irrigation order put together cumulatively?
- Y.D. Murthy:** It is around 70% we have already executed.
- Prem Khurana:** Thank you.
- Moderator:** Sure absolutely. The last question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

- Parikshit Kandpal:** Sir however we approaching the international order book now after the losses which we have faced in this Batinah Expressway?
- Y.D. Murthy:** We are not bidding for any new projects. In the gulf region things have become a bit lazy, after the crude oil prices have come down in the recent past so we are also examining very carefully as far as Dubai is concerned we have completed all the projects that is United Arab Emirates. As far as Muscat is concerned only one project that is Batinah Expressway. There also phase I is already completed and handed over to the client. Phase II we are executing and earlier we completed about three road projects in Muscat and one villa project now we are carefully examining the situation there but we are not definitely bidding for new projects.
- Parikshit Kandpal:** What about the real estate project in the Dubai, so out of the total 1200 you said around 600 is the domestic exposure and balance is in Dubai?
- Y.D. Murthy:** Yes part of it is in Dubai, Dubai we have identified one investor who is buying us out on various basis including Tower One and in view of our investment made in the project as part of the developed area will be given to us which will be sold in the market and the money will be received by us but it will take at least two to two and a half years starting from now.
- Parikshit Kandpal:** So how much is like immediate cash flow it will receive while this investor coming in.
- Y.D. Murthy:** First of all we have not investing any further monies in the project second of all the money that we invested will come back to us over a period of two to two and a half years comprising of residential developed land developed area as well as developed commercial area we are confident we will get back to whatever we invested at least up to 90%.
- Parikshit Kandpal:** Do you think you will get a presale area on commercial residential side which you will basically monetize over next two and a half to three years to be realized so total investment as of now will be how much Sir your total group exposure to this project to be how much?
- Y.D. Murthy:** It is in the region of about 350 Crores
- Parikshit Kandpal:** So 350 is this 600 is these two projects which you tell in NCC Urban and Vizag and Jubilee and so balance 300 Crores will be what?
- Y.D. Murthy:** Tellapur Technocity is there that is about 160 Crores of investment that is all.
- Parikshit Kandpal:** The total 1600 Crores of group exposure out of which 1100, 1200 is real estate the balance 400 Crores will be what.
- Y.D. Murthy:** Our BOT assets. We have two about BOT projects with us one is the OB Infra one is the Pondicherry Tindivanam and also one stalled power project that is Himalayan Green also all those investments are housed in NCC Infra.

- Parikshit Kandpal:** The residual value of around 400 Crores out of which how much will be equity in this sir 400 Crores how much will be the equity.
- Y.D. Murthy:** Most of it is equity only.
- Parikshit Kandpal:** That is all from my side. Thank you.
- Moderator:** Thank you very much. Due to time constraint that would be the last question I would now like to hand the conference back to the management for any closing comments.
- Y.D. Murthy:** We thank all the participants for the participation and if you have any further questions you can send us an email or call us on the phone we will appreciate your participation. Thank you very much.
- Moderator:** Thank you very much. On behalf of Systematix Shares & Stocks Limited that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.