NCC

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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 conference call that took place on 9th November, 2016 for discussing about the Q2 of FY 2016-17 results of the Company. Kindly take the above information on record.

Thanking you,

Yours faithfully

For NCC LIMITED.

25-11-2016

M V Srinivasa Murthy
Company Secretary & EVP (Legal)
Encl : As above

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"NCC Limited Q2 FY17 Results Conference Call"

November 09, 2016

MANAGEMENT: MR. Y. D. MURTHY – NCC LIMITED
MR. BHANOJI RAO – VICE PRESIDENT (FINANCE), NCC LIMITED

MODERATOR: MR. JASPREET SINGH ARORA – SYSTEMATIX SHARES & STOCKS
MS. DIVYATA DALAL – AVP (INSTITUTIONAL EQUITIES), SYSTEMATIX SHARES & STOCK LIMITED

Moderator: Ladies and Gentlemen, Good and Welcome to the NCC Limited Q2 FY17 Results Conference Call, hosted by Systematix Shares and Stocks. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Jaspreet Singh Arora from Systematix Shares & Stocks. Thank you and over to you, sir.

Jaspreet Singh Arora: Hi, Good evening to everyone. Welcome for the Second Quarter FY17 Conference Call of NCC Limited. We have with us Mr. Murthy and his team. Over to you, sir.

Y. D. Murthy: Thank you, Jaspreet. Good afternoon, everybody. I am Y. D. Murthy – NCC Limited. I have my colleague Mr. Bhanoji Rao – Vice President (Finance) with me. We will brief you about the second quarter performance of the Company and after that we can have a question-and-answer session.

We have done a top-line of Rs. 1,972.9 crores on a standalone basis in the second quarter as compared to Rs. 2,148.6 crores in the second quarter of the previous year. The EBITDA margin for the second quarter is Rs. 171.06 crores with EBITDA margin percentage 8.78%. PAT is Rs. 51.18 crores, that is 2.6%. Finance cost is Rs. 98.61 crores as compared to Rs. 131.3 crores in the second quarter of the previous year, there is a substantial reduction in the finance cost. Depreciation is Rs. 28.2 crores as compared to Rs. 27.9 crores in the second quarter of the previous year. Cash profit was Rs. 79.42 crores and last year it was Rs. 83.4 crores.

For the six months' period ended, that is half year of the current year we have done a top-line of Rs. 3,902 crores, EBITDA of Rs. 336.8 crores, EBITDA margin of Rs. 8.75% , PAT of Rs. 103.5 crores, PAT margin of 2.7 %. Finance cost for six months' period is Rs. 192.5 crores, this as compared to first six months of the previous year there is about Rs. 257.9 crores in last year, so there is a substantial reduction in the finance cost in the first six months of the current year, nearly Rs. 65 crores. Depreciation is Rs. 55.98 crores as compared to Rs. 55.09 crores in the previous year. Cash profit for the six month is Rs. 159.5 crores as compared to Rs. 152 crores in the first six months of the previous year.

The other income for the first six months is Rs. 53.7 crores as compared to Rs. 104.98 crores in the previous year. The other income has come down mainly because some loans and advances given to subsidiary companies have been repaid and so the interest income has come down. And also in our international subsidiaries, we have stopped booking the interest income, though the loans are outstanding. So, because of these two reasons the other income has come down to around Rs. 53.7 crores for the six months' period as compared to Rs. 104.98 crores for first six months of the previous year. This is in line with our communication to the analysts in the first quarter. We said the other income for the year as a whole, current year is likely to be around Rs. 90 crores to Rs. 100 crores, so we are at par with that.

As all the participants, may be aware, we are declaring only the standalone numbers, we have not done consolidation for the first quarter as well as the second quarter and the consolidation numbers will be announced at the end of the financial year in March 2017.

As far as the order book is concerned, we have secured fresh orders of about Rs. 5,356 crores in the first six months of the current year and the order book stood at Rs. 18,595 crores as on September 30th, 2016. However, in the month of October we have received order worth about Rs. 2,387 crores. If you take those orders also into account, for the first seven months of the current year we have received orders of about Rs. 7,743 crores which is in line with our targeted order execution of Rs. 12,500 crores for the year as a whole. And added to this, we have received one MDO, Mine Development Operation order of nearly Rs. 34,500 crores spread over a period of 29 years to be done along with our mining partner, that is BGR Mining and Infra. In that, NCC holds 51% and so around Rs. 17,600 crores of orders will accrue to NCC. But we have not taken that into the order book that I have announced just now. But we are planning to take around three year's order of the mining project into the order book to reflect on the consolidated order book of the company for the construction business.

Now, I will give the bifurcation of the order book on the bifurcation of the execution among various verticals. We started the year with an order book of Rs. 17,655 crores and we received new orders totaling to Rs. 8,926 crores, including mining order of Rs. 3,570 crores. And we have executed Rs. 4,416 crores of orders during the first six months. And the balance of orders at the end of the six months' period is about Rs. 22,164 crores.

The orders among various verticals are like this:

Rs. 8,856 crores is buildings and roads put together, 40%. Water and environment drivers put together is Rs. 4,318 crores that is 19%. Electrical, Rs. 1,471 crores that is 7%. Irrigation is Rs. 2,130 crores that is 10%. Metal is Rs. 32 crores, 0%. Power is Rs. 93 crores. Mining is Rs. 3,593 crores, that is a share of our share for the first three years. And international, Rs. 1,671 crores, that is 8%. So, total order book at the end of the second quarter is Rs. 22,164 crores.

Now if you look at the execution. Total execution including international construction activity is about Rs. 4,416 crores. In this, buildings and roads put together constituted Rs. 2,112 crores, that is 48%. Water and railways put together is Rs. 1,169 crores, that is 26%. Electrical is Rs. 231 crores, that is 5%. Irrigation is Rs. 132 crores, that is 3%. Metals is Rs. 22 crores. Power is Rs. 168 crores. Mining is nil. And international is Rs. 583 crores, that is 13%. Total execution in six months is Rs. 4,416 crores.

Now, the debt on the books of the Company has gone up to Rs. 2,060 crores at the end of the second quarter. There is an increase of debt by about Rs. 176 crores, it's mainly because of the increased working capital requirement of the Company and also because we received certain construction contracts without mobilization advance the debt level has gone up, but it is well within our management. Loans and advances to subsidiaries and associates stood at Rs. 932

crores as compared to Rs. 1,386 crores at the end of second half last year. So there is substantial reduction in the loans and advances to group companies. In fact, one ICD has been paid by NCC Infra to the parent company. And also the investments made in these group companies stood at Rs. 999 crores as compared to Rs. 1,156 crores at the end of second quarter last year. So the total group exposure by way of loans and advances and investments put together at the end of the second quarter of this year is about Rs. 1,931.5 crores as compared to Rs. 2,543.2 crores at the end of the second quarter last year. So there is a substantial reduction in the group exposure from Rs. 2,543 crores to Rs. 1,931 crores.

Retention money stood at Rs. 1,556 crores as compared to Rs. 1424 crores last year. Cash balances of Rs. 89 crores at the end of this year as compared to Rs. 180 crores last year. Raw material inventory level is Rs. 396.6 crores and work-in-progress is Rs. 1,274 crores. There is substantial reduction in work-in-progress during the current six months, mainly because of the work has completed and billing has taken place, the figure has come down from Rs. 1,510 crores to Rs. 1,274 crores.

Trade receivables has shot up from Rs. 1,248 crores to Rs. 1,532 crores. And also the debt collection period, which was 60 days at the end of second quarter last year has come to about 73 days at the end of the second quarter this year. That is still within our norm, we want to see that the debt collection period is maintained below 80 or 85 days.

So, all in all, Company is doing reasonably well. Our order book is also increasing. And we are confident we will be able to achieve the targeted top-line as well as the expected profits.

Now, I request the participants to ask their questions. I will ask the participants to restrict their questions to not more than two questions per participant. Thank you .

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Abhijith Vara from Sundaram Mutual Funds. Please go ahead.

Abhijith Vara: My first question is in the balance sheet which you have published along with the results. If you could explain the change in the short-term loans and advances and other current assets, especially because you are saying the group exposure has come down these numbers they are increasing heavily. If you could explain the short-term loans and advances please?

Y. D. Murthy: Short-term loans are Rs. 1,912 crores and the total borrowings we have reported is Rs. 2,060 crores. So other loans like about Rs. 8 crores is there, that is long-term borrowings of Rs. 8.5 crores and the balance is corporate loan we have taken from the bankers, that is about Rs. 110 crores outstanding is there. That is shown in the current liabilities, that is why…

Abhijith Vara: I am talking about current assets, sir. Current assets, compared to loans and advances. The number moved from Rs. 2,742 crores to Rs. 3,189 crores.

Y. D. Murthy: We do not have the bifurcation right now, we will come back to you on this.

Abhijith Vara: And sir, the other current assets also if you could get back sir, other current assets are reducing from…

Y. D. Murthy: I will come back to you on this.

Abhijith Vara: And second question sir is on the contribution of irrigation in the new projects, as in the current order book, if you could please help understand. And the execution timeframe sir for these water and irrigation projects?

Y. D. Murthy: Water we have done first six months about Rs. 1,169 crores and irrigation is about Rs. 132 crores. And one thing I would like to tell here is the Telangana Water Grid projects which are reflected in the water division, water and environment division, and the Telangana Irrigation project that we have got in our irrigation division, they are all moving as per schedule, we do not see any difficulty. And even the payment cycle has improved, the margins are also quite good in both these projects.

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

Nitin Arora: If I add back your water and your irrigation projects which is roughly around Rs. 7,000 crores of the total order backlog, can you tell us how much working capital will be required in the second half, so incrementally your debt can go higher from here or you think that enough of the advances have been accounted for these projects, so no incremental debt should increase from here?

Y. D. Murthy: See, the Telangana Water Grid project and the Telangana Irrigation projects together we received orders of about Rs. 5,000 crores out of which already Rs. 1,000 crores execution has taken place. These orders have come without any mobilization, in the normal course we should have got mobilization advances of about Rs. 500 crores. That is why there is a tightness in the working capital. Now we are able to bridge it to a large extent, mainly because of the monetization that we have done, the power asset has been monetized and the money received. Likewise, the Western UP toll way has also been monetized and the money has been received. And likewise going forward, we are expecting monetization money to be received out of the Bangalore elevated toll way and also our real-estate subsidiaries that is NCC Urban is planning to repay about Rs. 100 crores of principle and some Rs. 40 crores of interest to the parent company, that is also likely to happen before 31st March, 2017. So these monies that are going to be received by the parent company will be available for execution of these projects. And as such, we do not anticipate any further increase in the debt levels of the Company going forward. On the contrary, in the current year we are targeting repayment of Rs. 110 crores of the loan with the banking system, the corporate loan by March 2017. So at the end of the year the debt level should be back to about Rs.1800 crores - Rs. 1900 crores or so.

Nitin Arora: Sir, just to dwell on that. You said you have received money of Western UP Gautami power project, as well as you saying this money has gone for debt for largely the working capital requirement for your irrigation and water projects. So against the Rs. 500, plus your incremental debt has increased by Rs. 150 crores, so 50% - 60% of the funding we have already done with respect to your working capital requirement from these sources. Can you highlight the amount you are expecting to receive from the Bangalore elevated?

Y. D. Murthy: We are likely to get around about Rs. 80 crores maybe in the next two months, and another Rs. 20 crores maybe three months later, total we are getting about Rs. 100 crores. And first tranche we get about Rs. 80 crores in the next one month.

Nitin Arora: Sir, will there be any entry of our write-off against that Bangalore elevated investments in the P&L?

Y. D. Murthy: It will be reflected in the P&L or NCC Infra because NCC Infra has invested. But at the parent company level there will not be any write-off because NCC Infra will pay back the investment made by NCC in NCC Infra.

Nitin Arora: Sir just last question, can you also give us the breakup of the order inflow on the six months and the new orders which you have received of Rs. 2,387 crores, also if you can give us the breakup where it actually came from?

Y. D. Murthy: Breakup I have already given.

Nitin Arora: Sir, on the order inflow.

Y. D. Murthy: Order inflow is about Rs. 8,926 crores, that is Rs. 2,593 crores from buildings division and Rs. 597 crores from water division, electricity is Rs. 788 crores, irrigation is Rs. 1,378 crores and mining is Rs. 3570 crores. Total is Rs. 8,926 crores. And October about Rs. 2,300 crores orders we received, we do not have the details of the Rs. 2,378 crores, so I will come back to you on that, anyways it is received in October.

Moderator: Thank you. Our next question is from the line of Inderjeet Singh from Macquarie. Please go ahead.

Inderjeet Singh: My first question is on execution. I think this was a soft quarter and if you also put it in context that given the recent changes by the government on the availability of liquidity, your contractors, sub-contractors, vendors might see liquidity getting tightened. So in that context how do you see the rest of the year planning, are we still sticking to our guidance numbers on revenues and margins?

Y. D. Murthy: Yes, first of all on the top-line, I agree the second quarter was a big subdued mainly because of the heavy rains in the second quarter and so the first six months the top-line is slightly less than what we would have anticipated. But we are confident we will be able to cover it up in the third quarter and fourth quarter and we are confident we will be able to achieve the top-line for the year as a whole.

Inderjeet Singh: Given the liquidity generally in the system is likely to now get tightened with what the government has done, and especially the subcontractors, vendors…

Y. D. Murthy: You mean demonetization and all?

Inderjeet Singh: Yes.

Y. D. Murthy: See, that to my mind should not affect us mainly because we are doing our business as per orders received and payments received from the client, everything is accounted for in our books of accounts. And if I give advance to my subcontractors that is also accounted for, he in-turn will account the real books of accounts and he will make cash payments to his labor and maybe other sundry payments.

Inderjeet Singh: No, my question is it is not about NCC having availability of cash or those kind of things, but eventually somewhere down the line if the subcontractor who has to make payments out, even if there is amount available in his accounts he is not going to be able to withdraw large amounts over the next month or couple of months time. Wouldn't that impact the entire chain as such?

Y. D. Murthy: Some pressure will be there, not for long period, maybe 15 days. And also you have to appreciate, if you are not able to pay the labor, labors also now have got accounts in various places, they can always give a cheque provided there is balance in their accounts. So I do not think it is going to be difficult as far as day to day working is concerned. And maybe the problem will be there for the first 10 to 15 days.

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

Parikshit Kandpal: Sir, I just wanted to know with Blackstone cutting down the stake in the company, so will they still have a Board seat? And how will it impact the Company going forward in terms of investment decision, either participating in HAM or stepping up investments in equity and BOT assets? So will there be any change post this?

Y. D. Murthy: See, you have to appreciate that Blackstone invested in our Company way back in 2007. Their fund life is over so they have to return the money to their investors, so they have decided to exit. And in fact they have completely exited, they do not own any shares in our Company. As far as the Board seat is concerned, the matter is yet to be discussed. And as we know Blackstone, they are very busy with their investments and they are overseeing it. They may not like to continue on the Board where they do not have even one share of equity investment, so it is a matter of time only that the members of Blackstone may not be there on the Board of NCC going forward.

And as far as our business is concerned, I do not see any reason why it should affect our day to day working. They are basically a financial investor, they invested, they stayed with us, they had a board seat, we were greatly helped by their contribution in terms of our understanding of the macro environment and the international markets. But the Company has got enough maturity and enough debt, even without Blackstone nominees on the Board of NCC we can take it forward. I do not think there is any problem there.

Parikshit Kandpal: No, I was coming from the angle that probably when the Company was going through liquidity crunch, most of the industry companies, so there would have been restrictions on utilization of capital and pursuing some opportunity in road segment which were equity intensive in nature. So, going forward will NCC still be conservative on taking up new projects where huge requirement of equity is required? So basically I am coming from that angle, so will there be any change in our investment dynamics post exit of Blackstone? Probably there could have been some restrictions earlier.

Y. D. Murthy: No, there are no restrictions. Let me clarify to you, there are no restrictions. It is a Board decision where Blackstone is also there, Rakesh Jhunjhunwala is also there, various other independent directors were also there earlier. We thought we should go slow on BOT projects and we were not bidding aggressively for them and the results are there for everybody to see. And we are benefitted by that decision at the Board level. And likewise, going forward also HAM projects, yes, again Board will look at it and take a decision and based on that we will take it forward. Now, my understanding is, since we are exiting two road projects and generating cash, it makes some sense to take up one or two HAM projects going forward.

Parikshit Kandpal: And how big will be these projects?

Y. D. Murthy: Could be around Rs. 1,000 crores which require equity infusion of say about Rs. 150 crores from the Company, because in HAM projects the equity requirement has also come down. Earlier, BOT we were putting equity up to 30%, now in HAM projects we have to put equity of only up to 15%. So all these factors we are carefully examining. And also our focus will be mostly on road EPC contracts and also maybe one or two HAM projects.

Parikshit Kandpal: On the real-estate assets which you own, so after the clampdown by the government on the underground economy, so there are talks that land prices will correct from here on. So how will it impact our portfolio, our land banks, our real-estate assets and are we looking to take any write-off on account of that?

Y. D. Murthy: No, we have to examine that. I do not think there is any problem. But one thing I can make very clear, we are not having any second cash payments, all our flat sales and all are through cheque payments only. So as such, there is no problem in the day to day working of NCC

Urban. Regarding the market environment and how the real-estate market is reacting to the government's decision, we have to wait and see.

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

Nitin Arora: Sir, just two questions here. One on the MDO which you have mentioned in your press release, what is the nature of the capital investment we will be doing? Because your partner outright saying that he is going to put the actual capital investment and equity requirement. And also you said that you are taking some part of the orders of some Rs. 3,500 crores in the mining side of the total portion, so how are you going to account in your revenues that part, because that I think should come in the consolidation.

Y. D. Murthy: Yes, absolutely. First of all, there is an SPV which is a company registered with the Registrar of Companies which has signed the MDO contract with the client, that is West Bengal Power Development Corporation. So, it is called Pachhwara North Coal Mine Project Company Limited or some name is there, and in which NCC is owning 51% and the balance 49% is owned by our partner, that is BGR Mining and Infra. Now these two companies put together will capitalize the SPVs to an extent of about Rs. 150 crores, which means our share in that SPV will be about Rs. 75 crores, that may happen over a period of time, maybe one year to two years period going forward. Now, that company will execute the order, it will procure machinery through bank loans and leasing and things like that and then implement the project.

Nitin Arora: So, our equity requirement would be Rs. 75 crores over the next two years?

Y. D. Murthy: Yes, absolutely, not beyond that.

Nitin Arora: Any portion of civil work, because it is already a running mine so…

Y. D. Murthy: In the running mine we do not see any civil work and also all the day to day working and development of the mine will be done by our partners, that is BGR.

Nitin Arora: And sir just last question on the arbitration awards, we also stated about Rs. 200 crores of arbitration awards which will be in your favor, any movement in that, anything you are expecting in the next two quarters to come in for you?

Y. D. Murthy: It is moving a bit slow, we are also taking up the matter with the government agencies. Maybe it will take some time but initially we may get from the central government undertaking, that is NHAI and other agencies, like Steal Authority we have some more awards in our favor. But the state governments may take a little longer, we are also carefully pursuing. Maybe some amount may be received in the fourth quarter if not in the third quarter.

Nitin Arora: No, your debt level has increased as you mentioned also, but the sequential increase in the interest cost is not there. So largely the debt increase or let's say the advances which you paid up have come towards the last, during the end of the quarter that is why the increase in interest cost is not there which will get largely reflected in Q3, is that a correct understanding?

Y. D. Murthy: Yes, to some extent you are right. But also we are benefitted by the reduction in the interest rate by the bankers, that is also helping up, some downtrend is there. Like Reserve Bank has cut the rates, policy rates were about 25 bps, of course all of that is not passed on to us but a part of it has been passed. So all these things have helped us in the second quarter and we are confident we will be able to maintain the trend as we go forward.

Nitin Arora: And what is our borrowing cost now, sir?

Y. D. Murthy: The blended cost is about 11.7%.

Moderator: Thank you. Our next question is from the line of Prabhat Anantharaman from HDFC Securities. Please go ahead.

Prabhat Anantharaman: Sir, can you please tell me what is the CAPEX requirement in the mining order that you need to invest?

Y. D. Murthy: On the equity side we have to invest Rs. 75 crores, as I just now mentioned. And together we will put at the SPV level about Rs. 150 crores. And the SPV will go for CAPEX of nearly Rs. 600 crores.

Prabhat Anantharaman: And you will have to invest half of the CAPEX from that?

Y. D. Murthy: No, CAPEX means purchase of capital equipment by leasing and hire purchase, providing margins. So what I am trying to say is, we invest Rs. 150 crores as equity in the SPV and SPV in turn will take on hire purchase leasing, mining equipment of Rs. 600 crores.

Prabhat Anantharaman: So our investment is limited only to Rs. 75 crores?

Y. D. Murthy: Rs. 75 crores paid over the period of two years.

Prabhat Anantharaman: And sir, can you give us the EBITDA margin guidance for FY17-18?

Y. D. Murthy: No, that we will have to work out because our business plan is yet to be finalized. So current year we are at 8.75%, we expect the EBITDA margin to improve in the third quarter and fourth quarter, maybe we end the year with EBITDA margin of about 9%.

Prabhat Anantharaman: I was actually asking for the mining segment, wanted the mining…

Y. D. Murthy: Mining EBITDA will be in the region of about 20% for the first year. And net profit margins will be about 5% to 6%.

Prabhat Anantharaman: And sir, it's already an existing mine, so what is the life outstanding the current equipment over there?

Y. D. Murthy: No, for those equipments the original developer will take that, we are not having any equipment as of now, we will have to procure equipment and our partner, some surplus equipment which he has got he is likely to give it to the SPV for executing the project.

Moderator: Thank you. Our next question is from the line of Devang Patel from Crest Wealth. Please go ahead.

Devang Patel: Sir, on the mining since it is an JV and under IndAS the revenue booking is more restrictive, will the revenue and profits be booked under the standalone parent accounts or will it come as a profit from associate?

Y. D. Murthy: Yes, absolutely. A separate company will be there, first of all it will be reflected in our consolidated balance sheet, standalone it will not be there. And the consolidated balance sheet will show the NCC share of the mining activity, both top-line and bottom-line.

Devang Patel: Will it be a line by line consolidation?

Y. D. Murthy: That we are examining, we will see. My feeling is we will take only our share.

Devang Patel: Sir and about the bid and the other bidders, can you talk about that, what was our bid and what was the L2 bid there?

Y. D. Murthy: See, the reverse bidding process was adopted through electronic bidding and every eight minutes you are supposed to quote your revised bid price and there should be a difference of nearly 2% than the previous bidder. So at 890 we got the bid and the previous bidder is 2% above that, that is all.

Devang Patel: And how many bidders were there?

Y. D. Murthy: About five bidders were there.

Devang Patel: Sir, and you mentioned from Bangalore elevated some Rs. 100 crores are expected, what other monetization is being planned in the second half including real-estate?

Y. D. Murthy: See, NCC Urban is likely to repay loan of about Rs. 100 crores to the parent company.

Devang Patel: So, earlier at the beginning of the year you were targeting to reduce Rs. 150 crores - Rs. 200 crores, you are broadly saying you will maintain the debt level this year compared to March 2016, is that correct?

Y. D. Murthy: Yes.

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

Shravan Shah: Just on Agra-Lucknow, if you can tell me the execution for his quarter?

Y. D. Murthy: Execution is almost complete, now they are planning to inaugurate the express way. This quarter numbers I do not have but the entire project is executed, completed as far as we are concerned.

Shravan Shah: And sir, first question answered by one of the investors regarding the short-term loans and advances increased, so…

Y. D. Murthy: The details were not available right now on this balance sheet, what I suggest is one of you send us an email or something, we will answer it by email giving all the clarifications.

Shravan Shah: And sir lastly, once again if you can give us the breakup of order inflow.

Y. D. Murthy: We got fresh orders of Rs. 8,926 crores in the first six months, that includes mining order also of Rs. 3,570 crores. Other divisions, buildings have Rs. 2,593 crores of fresh order and water and environment Rs. 597 crores, electrical is Rs. 788 crores, irrigation is Rs. 1,378 crores.

Moderator: Thank you. Our next question is from the line of Salil Desai from Premji Invest. Please go ahead.

Salil Desai: Sir, on this order inflow I heard you said Rs. 12,500 crores as your inflow target for FY17, is that right?

Y. D. Murthy: Yes.

Salil Desai: So you had a Rs. 12,000 crores number earlier, so are you looking at some specific?

Y. D. Murthy: No, actually Rs. 12,500 crores includes Rs. 500 crores of mining order reflected in the business plan. Now mining order is coming at SPV level, so if you take it out it will be Rs. 12,000 crores, nevertheless Rs. 500 crores in order intake of Rs. 12,000 crores will not make much difference.

Salil Desai: The standalone order inflow is targeted Rs. 12,000 crores?

Y. D. Murthy: Yes, you can say that.

Salil Desai: And when you say a Rs. 3,570 crores your share of mining order, it is not included in this Rs. 12,000 crores number right?

Y. D. Murthy: It is not included.

Salil Desai: And what will your scope of work be for this Rs. 3,500 crores, if BGR is going to do the bulk of the development and day to day activities, what would your share amount to?

Y. D. Murthy: We are not doing anything, we are doing monitoring and control and also we provide the leadership and execution of the orders. Actually, our order execution will be done by BGR.

Salil Desai: So this Rs. 3,570 crores is what, x many tons into some value for order that is how you have taken it?

Y. D. Murthy: Almost three years average order book we have taken into the consolidated order book, that is how Rs. 3,500 crores has come. It is a 29 years order, 29 years we have to execute Rs. 34,000 crores, so average for three years we have taken Rs. 3,500 crores.

Salil Desai: So every three years you will have fresh order inflow?

Y. D. Murthy: Yes, so it is sort of a moving order book. First year it will execute, again it will replenish up to Rs. 3,500 crores for the next 29 years or maybe 26 years this order will be there.

Salil Desai: So, on a thumb rule basis one should say that on Rs. 3,570 crores we will have a PAT margin of x% of 5% - 6% that we mentioned?

Y. D. Murthy: Absolutely.

Salil Desai: 50% of that will be your share?

Y. D. Murthy: Exactly.

Salil Desai: So is that our thumb rule way to look at it over three years?

Y. D. Murthy: Correct.

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

Ashish Shah: Sir, just one question. Our revenue guidance for the year would be at around 10%?

Y. D. Murthy: Yes correct,

Ashish Shah: And the margin which you said would be closer to about 9%?

Y. D. Murthy: That is right.

Ashish Shah: Sir, other question is on the other income side, so our other income and absolute number has come down, but has the cash realization of this other income improved? So let's say out of the first half of other income which you have reported of about Rs. 54 crores, what would be the cash realized in this period?

Y. D. Murthy: Around Rs. 24 crores of interest payment by NCC urban is included in this Rs. 54 crores, the rest is all book entries.

Ashish Shah: So basically you are saying Rs. 24 crores has been received in cash out of this Rs. 54 crores which we have accounted?

Y. D. Murthy: Correct.

Moderator: Thank you. Our next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Sir firstly, why have we discontinued this consolidated number, what is the main reason? Earlier we used to get consol numbers along with the standalone.

Y. D. Murthy: No, this IndAS has been introduced and the SEBI has given time to corporates to switch to IndAS. And after looking to all this, because we have got large number of subsidiaries, we have to recast this balance sheet not only for current year but also for last year for comparison purpose on to IndAS. Looking to all these factors and taking advantage of the timeline given by the regulator we have decided to go for standalone numbers in the current year for the first three quarters. But the fourth quarter will have both standalone and consolidated audited.

Saket Kapoor: But you would be having some sense of how the consol numbers will look like, because we have a practice of getting the consol numbers. Could you give some color how on a consolidated level we have performed for the first half?

Y. D. Murthy: I cannot give it because we have already opted to do it on a standalone thing and in fact IFRS numbers may be there, IndAS numbers are not there, some have given, some have not given. It will be unfair on my part to divulge the information.

Saket Kapoor: Sir, interest saving has been the key highlight for us. Are we going to continue, I mean the trend will be like this and what is our blended cost of interest from the first half and going forward also, if you could give some…?

Y. D. Murthy: The blended cost of borrowing has come down to 11.7%, we already told you. And what has happened is really Rs. 65 crores of finance cost has been saved compared to the previous year.

But the trend, how long it can continue we will have to see. Going forward some debt increases is also there. But we are confident, if you look at the whole year, in FY15 the total finance cost was about Rs. 573 crores, in FY16 it has come down to Rs. 507 crores. In the current year, that is FY17 we are targeting about Rs. 410 crores, that we are confident of achieving. Which means really Rs. 80 crores to Rs. 90 crores of reduction in the finance cost for the year as a whole.

Saket Kapoor: And sir, going forward the second half is going to be more bulky and more execution is going to take place because of the first quarter, second quarter. So third quarter and fourth quarter we will be having more revenue being booked, that is likelihood sir?

Y. D. Murthy: Yes, absolutely.

Saket Kapoor: And sir, you gave the guidance for 10% on the revenue and blended margins to be in the region of 9%?

Y. D. Murthy: Yes, correct.

Saket Kapoor: And what was the debt equity ratio?

Y. D. Murthy: We are at a very comfortable debt equity of 0.5:1 which is very good debt equity, lenders are happy, the rating agencies are happy. We want to see that it continues at this level.

Saket Kapoor: And going forward what is the sense as a construction company we are getting from this business environment of how things are shaping up and how do you see the future going forward? Not for this coming six months but two years, three years down the line how confident are you that we as a company will be having more strength than what earlier….

Y. D. Murthy: Yes, the business environment has improved last two years definitely it has improved. And also the government today realized that there is physical infrastructure deficit in the country, and they are sitting right there because the economy cannot grow unless the support of physical infrastructure is there. So that is going to be a good business opportunity for all construction companies and we will be front line company and also not having any baggage of CDR or NPA and things like that. We believe we are at a sweet spot to take advantage of the unfolding opportunities, that is going to be reflected in our numbers as we going forward. And now by the end of the current year on a standalone basis we will be a Rs. 9,000 crores company and also on a consol basis more than Rs. 10,000 crores company. And with this base we are confident we can grow at 10% to 12% year-on-year for the next three to five years.

Saket Kapoor: Last question is on the mining JV part. You told profit margins of 20% and then the final PAT margins of 5%, am I correct on this?

Y. D. Murthy: Yes, right.

Saket Kapoor: That 15% outgo is on account of interest and other part, just wanted to make some sense of it. I mean, at one side you are getting 20% and then at the net we are at 5% only.

Y. D. Murthy: No, there will be lot of equipment leasing and all will be there and the interest payment will be there, all those things you have to factor. So I think EBITDA of 18% to 20% we are looking at and profit margin of about 5% to 6%.

Saket Kapoor: You told we will be only monitoring, we will do monitoring part only and maximum part will be done by BGR.

Y. D. Murthy: We are talking of what the SPV going to do, who is operating on a day to day basis is a different issue altogether. And what the SPV is generating, what the turnover its generating, what is the EBITDA margin it is generating, what is the net profit margin it is generating, that is what we are discussing.

Moderator: Thank you. We have the next question from the line of Parvez Akhtar from Edelweiss Capital. Please go ahead.

Parvez Akhtar: Sir, in our total order book what is the share of private sector orders that we have?

Y. D. Murthy: Usually around 10% will be there, 10% to maximum 15%, most of the orders are from the government agencies that is both central and state governments put together.

Parvez Akhtar: Sir, these private sector orders will be mainly from which segment?

Y. D. Murthy: Mostly buildings is a wide connotation because we have to do industrial buildings, commercial complexes, software technology parks, five star hotels, all these are being done by us for private sector.

Parvez Akhtar: And sir, in your opening remarks you said that you have stopped booking other income from your international subsidies, so any particular reason behind that and what is the total exposure in terms of investment plus loans and advances to the overseas subsidiaries as of today?

Y. D. Murthy: In our Mauritius subsidiary we have invested nearly Rs. 300 crores, both loans and advances as well as investments made by us on the equity side. Now for the past seven, eight years we have been booking interest income from this thing, that is why the loans and advances have gone up in the first place. And we had a hard look and also had a discussion with our statutory auditors, based on that as a step one we stopped booking interest income from the Mauritius based international subsidiary.

Parvez Akhtar: So as of now from your Middle East subsidiaries you are still continuing to book that?

Y. D. Murthy: No, there we have invested, equity is there, that also through Mauritius subsidiary. So there is no debt there.

Moderator: Thank you. I would now like to hand over the floor to Jaspreet Singh Arora for closing comments. Over to you, sir.

Jaspreet Singh Arora: Thanks a lot for logging into the call. And thanks to management for giving us an opportunity to host the call. Thank you, sir.

Y. D. Murthy: Thank you, thanks all the participants.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Systematix Shares and Stocks Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.