

NATIONAL BUILDINGS CONSTRUCTION CORPORATION LIMITED (A Government of India Enterprise)

"NBCC LTD Q3FY16 Earnings Conference Call"

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MANAGEMENT: DR. ANOOP KUMAR MITTAL - CMD, NBCC

MR. YOGESH J. P. SHARMA - CGM (ENGINEERING),

NBCC

SMT. B.K. SOKHEY - CGM (FINANCE), NBCC

MODERATORS: Mr. PARVEZ AKHTAR QAZI – EDELWEISS SECURITIES

Moderator:

Good day ladies and gentlemen and welcome to the NBCC Limited Q3FY16 earnings conference call hosted by Edelweiss Securities Limited. As a remainder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. Parvez Akhtar Qazi. Thank you and over to you sir.

Parvez Akhtar Qazi:

Thank you Mallika. On behalf of Edelweiss Securities, I welcome you all to the Q3FY16 post earnings conference call of NBCC. We thank the management for giving us the opportunity to host the call. Today we have with us Dr. Anoop Kumar Mittal, the Chairman and Managing Director of NBCC; Mr. Yogesh J.P. Sharma, Chief General Manager (Engineering) and Smt. B.K. Sukhi, Chief General Manager (Finance). I would now handover the call to Dr. Mittal for his opening remarks. Over to you sir.

Anoop Kumar Mittal:

Good afternoon to all of you. This A.K. Mittal CMD of NBCC and basically this teleconference call is post Q3 results. NBCC has registered turnover of about 1426 crores with a growth of 28.88% and net profit is 60 crores which is 17.32% higher than the last quarter. In this financial year in the last 9 months NBCC has secured works worth to about Rs. 17,000 crores and as of 31st January, the outstanding order book is Rs. 35,000 crores and there are few projects which are not included in this like development of DDA properties and 2-3 more properties worth about Rs. 15,000 crores. These are few figures ending to Q3. Now the floor is open for question and answer.

Moderator:

Thank you. Ladies and gentleman, we will now begin with the question and answer session. The first question is from the line of Maulik Doshi from Citi Group. Please go ahead.

Maulik Doshi:

My first question is regarding the margins for PMC segment, so when you get any project on nomination basis generally what is the margin like, is it usually cost plus 7%?

Anoop Kumar Mittal:

See in all project management consultancy project NBCC get certain fees on actual cost. When I say actual cost all costs pertaining to project including escalation, litigation, everything is passed through and over and above NBCC gets their charges which varies from 7% to 10%.

Maulik Doshi:

So 100%, all the projects have this escalation clauses, right?

Anoop Kumar Mittal:

All the projects has similar clause.

Maulik Doshi:

So we do not bear any risk regarding the cost...?

Anoop Kumar Mittal:

No, zero risk.

Maulik Doshi: Sir how high can this margin reach, is it sustainable basis can we expect around 9%-10% at

going forward?

Anoop Kumar Mittal: We are saying this percentage, this is fee which NBCC gets, it does not mean this is profit for a

corporation; this is charges which NBCC charge from their client and we have to incur some expenditure also. But other than this we also get some benefit from the deposits which we get from these projects and since we keep in FDR, the interest earned out of that is income to

NBCC. So all together 7%, you can say average charges plus some advantage of interest.

Maulik Doshi: Sir my second question is regarding the recent interviews where we have mentioned that order

book to reach around one lakh crores by 2020, so can you throw some color on it in terms of

some chunky orders and the respective order size?

Anoop Kumar Mittal: At present, as I said our order book is Rs. 35,000 crores plus few projects are secured by

NBCC but we have not included in that order book, that is about Rs. 15,000 crores. Other than this there are number of projects which are under discussion in pipeline and mainly these projects are high value redevelopment projects. Like there is top discussion going on since last one and a half years with government of India for development of 3 or 4 colonies in Delhi. The value of this is around Rs. 20,000 crores. There are number of projects which are under consideration by Rajasthan government, Odisha government, again redevelopment project. Similarly, there are other departments who are interested to develop their properties or redevelop their properties to NBCC. So altogether today I can say Rs. 50,000-60,000 crores

works are under consideration or discussion.

Maulik Doshi: And it will most likely be finalized in the next 2-3 years?

Anoop Kumar Mittal: Definitely.

Maulik Doshi: Sir my last question is regarding the operating cash flows. If we look at the financials till FY13

historically we had positive operating cash flows. However, in the last two years it has become negative operating cash flow mainly because of higher increase in the inventory receivables. So can you share some results for it why this has happened and what can we expect going

forward?

Anoop Kumar Mittal: Please repeat your question again?

Maulik Doshi: Sir my question is in terms of operating cash flows. So in the last two years our working

capital, special inventory receivables have increased because of that operating cash flow has become negative from the positive which was the case prior to FY13. So what led to this

change in terms of higher cash flow?

Anoop Kumar Mittal: Our debtors are increased because our turnover has increased from 2013. In 2013 our income

was around Rs. 3000 crores. In last two years this has been reached up to Rs. 5000 crores. This

is the major reason that is why our debtors have increased. But these debtors are I mean very

temporary debtors for one month or two months' times, till we get the reimbursements from our clients because all our works are PMC projects. So ideally, we should not consider these debtors as NBCC debtors because we have equal amount of liability also which we have to pay to our contractor. So if you see other side debt has also increased proportionately.

Maulik Doshi:

Where I am coming from is even if I look at the day of sales, debtor in terms of days of sales, it has increased from around 90-95 days which was the case in FY12-13 to around 130 days in the FY15?

Anoop Kumar Mittal:

It is mainly because our turnover has increased, this is major reason. In last two years the central government has changed. There were elections. So budget was not approved in time by government of India. In number of states where we are working, similar kind of problem we face. So I mean in totality this debtors days outstanding, I mean debtors has increased because of this reasons only.

Maulik Doshi:

Going forward can we say that it will remain at this level, 130 days?

Anoop Kumar Mittal:

This 130 day may reduce to 90 days again or it may reduce again, because most of our future projects are redevelopment projects where we are generating revenues, NBCC is generating revenues. So outstanding amount will reduce substantially. Hope you understood the answer.

Maulik Doshi:

I got the point. Generally, what is the difference in terms of debtor days in terms of debtor days for the redevelopment project and the PMC projects?

Anoop Kumar Mittal:

In redevelopment projects the methodology is the money required for construction we have to generate from the project only by sale of the part of the property. Like we are doing one project in Delhi named Kidwai Nagar development. The value of the project is about Rs. 5000 crores. So similar amount we have to generate by sale of the property. So this sale we start even, I mean actual start of the construction. So in all the cases we have advance available with us for the construction of the project. Whereas in PMC project after certain times we have to go to clients for reimbursement of the payments.

Moderator:

Thank you. The next question is from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi:

Again I missed the initial comment. So if you might have commented. But the PMC projects the revenue has grown by 25% for 9 months and the margins from the PMC division are falling. So can you summarize why this has happened/

Anoop Kumar Mittal:

Please repeat your question.

Dhruvesh Sanghvi:

The revenue from the PMC division which is 33,314 versus 21,233 basically the growth is nearly 10 % or so. But the margin has not increased as against the, the sales growth is 24% versus the margins not stabilizing at that level. So can you give me the reason for that?

Anoop Kumar Mittal:

It is very difficult to match all the entries in quarterly basis because there are number of things which we generally book, proportionately during quarter balance sheet but finally when you will see yearly results, so this difference will be narrowed down, this is one. Number two, the other reason is some of the clients have not paid us advance which we get generally, clients before the start of the project. So I mean the advantage of that has not been seen in these 3 quarters but finally in future you will see the similar kind of growth in margins also. So ultimately these projects are PMC projects where we are getting certain fees without zero risk, I mean there is no cost to company, everything is passed through. So whatever fee we are charging that is our income.

Dhruvesh Sanghvi:

Sure sir I understand quarterly you have been always maintaining that we cannot compare quarterly but when I am talking about the 9 months, so the revenue growth is 24% versus the profit growth in that division of PMC is only 9% and when you say that the advances has not come, so is it going to be the new norm that advances has not come because we are hungry for growth and are we going to sacrifice the advances to some extent or if you can throw some light on this?

Anoop Kumar Mittal:

This is temporary phase when we are not getting the advance because in PMC projects we have to make the advance because without advance PMC projects cannot move, this is certain. But one more thing is there, some of the clients who are giving us large value project for example recently we got trauma center project from All India Institute of Medical Sciences in Delhi. We have negotiated our fee; I mean reduced our fee to 6% or so because the value of the project was Rs. 3000 crores. But these projects have not taken off next financial year when you will see the growth in turnover. So automatically you will see growth in profit also. But certainly the similar kind of growth you will not see, suppose in next year I register 50% growth in my income. So it does not mean that 50% profit will also increase. But definitely our overheads we are trying to keep overheads intact, we are not increasing our overheads much. So you will see much growth in profit also.

Dhruvesh Sanghvi:

But when can we say that this year's margin will be stabilizing or there will be further erosion because of the high valued projects at 6%?

Anoop Kumar Mittal:

This year can be considered as stabilized year. Next year onwards you will see growth only.

Dhruvesh Sanghvi:

And sir one more request because PMC as a division has again two different type of orders, one is the redevelopment and other is the pure PMC thing, why do not we give it as two different segments because the redevelopment projects are going to be significantly larger going ahead. So instead of bifurcating our revenues into 3 parts why do not we put into a fourth part as redevelopment?

Anoop Kumar Mittal:

You see, ultimately in redevelopment projects we get our PMC charges only. There is hardly any diffrence except we get some amount for marketing the property which we sell. So finally this is PMC project only. There is hardly any difference and finally what we are targeting that our company should be more focused on redevelopment project, then small value PMC jobs.

So what I can envisage after 2 years or 3 years, 80% revenue will come from development of the properties and the remaining 20% from the traditional PMC jobs. So there is no need to start fourth segment and unnecessarily burden our balance sheet, I mean preparation and other things, so I think the ideal thing is that we are distributed in 3 segments.

Dhruvesh Sanghvi:

Good that our priorities have changed with the falling real estate prices because we initially were planning much higher revenues from real estate business. I think we have rethought our strategy to more redevelopment project and one more thing, I mean this is a little related to the culture of the organization, we see all PSU companies, the accountability aspect like the best part which we like about NBCC is your aggression because we find you extremely focused and the way you are working for NBCC for so many years I do not think we have seen many PSUs being held by such passion. Sir are you able to grow the same kind of talent and energy into the other people in the organization and if you can give some thoughts on it would be good?

Anoop Kumar Mittal:

You see at least 6 officers are sitting here and they are listening compliments to management. Thank you very much for that. See it is not because of one person or two persons in the organization, it is the entire corporation. Historically the company works like that because till 2000 this company was working as contractor only and you know all the problems and struggles which one contractor face. So similar kind of things we have faced in past. So 80% of our officers are of same nature, same aggression, same passion, it may differ from persons to persons and more over when you induct new persons, they also tune to similar kind of things and they are trained by officers who are faced this kind of situation. I mean you will see similar kind of things in future also.

Dhruvesh Sanghvi:

So one last question here, the thing is broadly when we charge this 7% and 10% in terms of charges, suppose if it would have been private organization they would not give these margins because they could directly hire a contractor instead of NBCC. Sir where does the real need for NBCC except for the fact that we have people from the government who are taking things from us, taking services from us. Why is there the overall need of NBCC apart from the fact that government agencies do not want to take the risk that they do not want to go ahead by planning themselves rather give it to NBCC which is a government organization and there is no problem of certain things which for example a large company like Air India why would they need NBCC for doing things. Why cannot they do it themselves?

Anoop Kumar Mittal:

Frist, this is compulsion, their requirement & our strength because you have said Air India for example. Air India does airlines business only not for construction. Suppose they want to construct one building, their headquarter building or any infrastructure project they do not have engineering skill in-house. So they have to hire somebody, but for hiring somebody they should know at least minimum something about engineering. So for all these things they hire NBCC and finally what they, see that whatever fee they are paying to NBCC, say 7% they are paying, if they hire a private company or consultant they may hire them at a fees or say 3% or 4%, the difference of 3% nobody will take risk, not only because they are government agency but they will not rely on private company, they will not take risk of Rs. 1000 crores project just for sake of 3%. There is no accountability of that private consultant investing money or

incurring losses on behalf of the organization, so that is why they engage government company instead of private company. Second if they hire a reputed international company like McKenzie or similar to that, then the fee structure is much higher than NBCC.

Dhruvesh Sanghvi:

Sir then why for that 3000 crores order that you gave example of, then why did we settle with 6% margin, why did not we go ahead with 8 and 9%?

Anoop Kumar Mittal:

You see there is some justification and need from both the sides, as you said initially that aggression and passion for a company we have to negotiate we have to see the market. If they delay that project, just for sake of this and finally they give this work to some other companies like EIL or any new government companies then we will lose the business. So all these things when you are sitting on the chair you have to take the decision whether you should take this work at 6%, 5% or 7%.

Moderator:

Sir the line has been disconnected. We will take the next question from the line of Sumit Arora from Kuber India Funds. Please go ahead.

Sumit Arora:

I wanted to check with you is that you said the order book today is about 35,000 crores not including 15,000 crores of the orders. So that means we will be about 50. Sir can you please share some highlight on the order which we are expecting of the 4 colonies, so what is your thought process on that and secondly if we got about 50,000-70,000 crores of order book, can you please throw some lights on the execution part from here.

Anoop Kumar Mittal:

Future orders, 4 colonies and other things. I am expecting that sanction of 4 colonies in next 6 months of time, May be second quarter of FY17 definitely as of now I can say this will be around Rs. 20,000 crores, so this is certain and there are number of other projects which are in pipeline like Ministry of Railways in discussion with NBCC for development of few of their railway stations on PMC basis or redevelopment model. Then similarly in the Indian institute of public administration in Delhi and there are number of other municipal corporation, the new Delhi Municipal Corporation is also in discussion with NBCC for the development of their property. So these are few clients and I am expecting that in next 6 to 9 months, we will get some orders from these clients, that is one. Number two, you asked about implementation and execution. I mean, all these projects are high value projects which is ranging from Rs. 1000 crores to Rs. 20,000 crores. So now our focus will be to execute large projects then small project. So I feel execution will not be any issue for NBCC in future.

Sumit Arora:

The reason I ask is because I assume that March 16 we closed the order book of about 50,000 crores and we need to execute these orders over periods at some point of time, your topline will go to 10,000 crores. I just broadly wanted your thoughts on that. So my thinking is correct, right because you have to execute it over a 5-year period, right?

Moderator:

Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Mittal sir I would like to know how much fund/debt you will require in next 3 years?

Anoop Kumar Mittal: We do not need any debt; no loan is required for our business model.

Ravi Naredi: Whatever the cash will be generated it will be sufficient for expansion?

Anoop Kumar Mittal: Yes it is really more than sufficient.

Moderator: Thank you. The next question is from the line of Siddharth Bhattacharya from Suyash

Advisors. Please go ahead.

Siddharth Bhattacharya: Sir I have 3 questions, one is basically if you could sort of let us know about the underlining

scenario in the real estate segment, how many ongoing projects do we have, what is the on-

ground scenario as of now and what future plans you have for the next 2-3 years?

Anoop Kumar Mittal: At present we have around 25-30 land parcel different places and 5 or 6 projects are under

construction and 3-4 projects are under planning. But we are not starting new projects seeing the market scenario. So in such times since all these land parcels are either owned by NBCC historically or purchase from their own funds, so we are not worried about anything. So we are not going to start any new projects till market has improved or we sell our old inventory. This is as far as real estate is concerned I can say in one line that we are much more intelligent than any other real estate developer and more professional because these properties we have not purchased by raising by debt, nor we are interested to raise the debt to develop these properties or finally we are not interested to take any risk or more money too ambitious for earning

money.

Siddharth Bhattacharya: Sir if you could help me with the inventory that is right now on our books?

Anoop Kumar Mittal: We have inventory I mean fully constructed inventory mainly in one place that is commercial

property in Delhi, a place called Okhla, where have around one lakh or 1,30,000 square feet area. The value of which is about Rs. 300 crores. That is one property otherwise we have a small built up properties and there is some inventory which is available under construction projects like we are developing two projects in Gurgaon, near Delhi, Khekda again near Delhi

like that only.

Siddharth Bhattacharya: So collectively the other properties would be what number if you could sort of?

Anoop Kumar Mittal: Under construction properties value, Okhla altogether should be in the range of Rs. 1000

crores.

Siddharth Bhattacharya: So total you have close to around 13,000 crores of inventory yet as of now?

Anoop Kumar Mittal: Yes.

Siddharth Bhattacharya:

My second question is familiar to the earlier question asked, I just wanted to understand when we will be hitting let us say 2000 crores or a 2500 crores sort of a quarterly run rate in the PMC segment now that we have buildup huge order book and what are the execution bandwidth issues that you foresee over there and how are we sort of looking all those issues?

Anoop Kumar Mittal:

I think you are asking that last year for example our turnover income was Rs. 4700 crores, so when it will reach to Rs. 8000 crores, am I right?

Siddharth Bhattacharya:

More or less.

Anoop Kumar Mittal:

So year I am targeting at least 20% growth in this financial year, current. We should close with an increase of minimum 20%-25% end of March 2016 and similar growth, I mean 25% minimum growth in next financial year. If I take that it will automatically will reach to Rs. 7700 crores and that figure is little bit conservative figure and it may increase further more. But after that year you will increase certain sharp increase in turnover or income may be 30%-40% because by that time our order book of 40,000-50,000 will be in a position to start the work.

Siddharth Bhattacharya:

Correct and any sort of execution challenges do you see over here in terms of manpower and...?

Anoop Kumar Mittal:

No, because you see every year we have succession plans and every year we are inducting engineers as and when required systematically. So there is no difficulty in execution except whatever challenges industry face except that there is no major reason.

Siddharth Bhattacharya:

So would it be fair to say that next two years assuming that the real estate scenario sort of does not change a lot from here. The next two years the growth will be propelled by your PMC segment, is that a fair assumption?

Anoop Kumar Mittal:

Yes, otherwise also NBCC even real estate industry into, even then we will not be very aggressive in that. We will focus on our PMC business, on redevelopment business which is primarily from government of India, without any risk, without any investment or fund raising, real estate is a small component, 20% or 25% that will remain that. We have not moved more than that and we do not require that also.

 ${\bf Siddharth\ Bhattacharya:}$

My third question is on this redevelopment project that we are getting, the earlier model that we followed by basically that of trying to see that the entire cost is generated by the project itself. So the cost was generated by opening up the project to government as well as private parties. So in terms of private party participation what risk do you see in terms of generating revenues for?

Anoop Kumar Mittal:

There is no risk. When we conceive a project and when government approve that project at that time we decide together whether these properties should be only for government department or it can be offered to private parties also. Till Kidwai Nagar project it was

maintained that the property should be offered to government departments only. Now seeing the scenario what government is decided in future it should be initially offered to government department and PSUs and if it is not sold fully then it should be offered to private persons also.

So now it is a partial change. But ultimate goal and aim is to sell that property fully.

Siddharth Bhattacharya: And you do not see any issues in terms of let us say only the 60% of the project is sort of with

government participation, the remaining 40% is private participation is required. You do not

see any issue in terms of the pricing scenario and the....?

Anoop Kumar Mittal: The pricing will be as per market trend and market rate. It has no bearing of government

property. It will be as per the market rate only. So there is no issue...

Siddharth Bhattacharya: And my last question sir is regarding these 4 colonies that we have been talking, just wanted to

understand we have been in discussion for close to 1.5 years now, so what exactly is the discussion on, is that on the development side, the design side or this sort of in terms of

proportions required there, where exactly are...?

Anoop Kumar Mittal: The delay mainly is because last two years one year we wasted because of the change in

government and election etc. Number two there is reason initially the proposal was to develop on the 3 colonies. Then later on when we prepared the master plan for 3 colonies then we saw that there are other 4 colonies which can also be redeveloped. So government decided that altogether we develop 7 colonies. Out of 7 colonies 3 colonies were given to NBCC for CPWD initially. Then government decided that it should be 4x3, 4 to NBCC and 3 to CPWD. All these issues are responsible for delay in these decisions but now I see that by end of September

2017 we will get the approval from government.

Siddharth Bhattacharya: There for 4 colonies now?

Anoop Kumar Mittal: Yes.

Moderator: Thank you. The next question is from the line of Deep Master from Enam Holdings. Please go

ahead.

Deep Master: The revenue guidance that you spoke about is that only for your PMC division or is that your

total revenue?

Anoop Kumar Mittal: Total revenue.

Deep Master: Because earlier we spoken about 6000 crores just from PMC revenues not including real estate

and EPC.

Anoop Kumar Mittal: 6000 as a whole consolidated figure of the company, or similarly when we are saying that 25%

or 20% growth again for company, not for a particular segment.

Deep Master: I know you have been asked this before but when I look at your order book, your order book is

growing far ahead of your revenues. So where exactly is the gap in the execution, like you are

saying you will scale up from FY18?

Anoop Kumar Mittal: This order book basically we generated in this financial year only, 17,000-18,000 or I mean

last two quarters of previous year or any project take at least 12 months to 15 months' time to actually convert that order into actual work ground. So that is why you are not seeing similar kind of growth in revenue. But next year onwards you will see high growth in revenue also.

Deep Master: From FY18 onwards?

Anoop Kumar Mittal: Yes.

Deep Master: So your inflow this year has been about 17,000-18,000 crores.

Anoop Kumar Mittal: Very correct.

Deep Master: But your opening order book was about 20,000 crores if I am not wrong?

Anoop Kumar Mittal: Rs. 16,000 crores.

Deep Master: And you have Rs. 17,000 crores of inflows and execute about 5000 crores?

Anoop Kumar Mittal: 17,000 crores is excluding execution, Rs. 4000 crores.

Deep Master: Got it. I mean they want to close the year with 50,000 crores you said?

Anoop Kumar Mittal: 40,000 crores, ideally.

Deep Master: Sir now that when you start redevelopment, you want to report it as a separate segment or will

you report that within PMC?

Anoop Kumar Mittal: We report this thing under PMC segment.

Deep Master: Sir in the 9 months how much revenue you would have booked from redevelopment?

Anoop Kumar Mittal: About Rs. 600 crores.

Deep Master: Sir when can we see margins now sort of scaling up more towards the 9%-10% region, the

EBIT margin?

Anoop Kumar Mittal: I cannot, I am not in a position to give you answer of this. It will take some time to reach that

level. So we have to work out. We have to set our strategy on that.

Deep Master: Okay and this quarter there was a spike in the O&M cost? Is there any particular reason?

Anoop Kumar Mittal: In this quarter or in this financial year?

Deep Master: This quarter.

Anoop Kumar Mittal: You are saying O&M charges has increased?

Deep Master: Yes sir, as a percentage of sale it is up by almost 4%-5% quarter-to-quarter even on a year-on-

year basis it is slightly up.

Anoop Kumar Mittal: See you are talking about this quarter or as a whole this financial year?

Deep Master: This quarter in particular.

Anoop Kumar Mittal: Sequential or?

Deep Master: Sequential.

Yogesh J. P. Sharma: That is due to real estate sale has come down due to that 20 crores profit has come down.

Deep Master: But then that would not spike your O&M cost right? If I look at your work and consultancy

expenses line?

Anoop Kumar Mittal: Can you narrate with the figures which figures you are talking?

Deep Master: So your work and consultancy expenses line C in your press release, it is about 1260 crores,

the cost. I will take it later on.

Moderator: Thank you. The next question is from the line of Loganathan from JM Financials. Please go

ahead.

Loganathan: Sir what is the progress in Trilokpuri and Kidwai projects?

Anoop Kumar Mittal: Kidwai Nagar project is in progress. Execution is going on. This year we have done around till

December around 600 crores worth and it is going to be completed by December 2019 as per

the contract. In fact, I can say is ahead of schedule at present.

Loganathan: What about the other redevelopment projects in Delhi, Trilokpuri and Karkardoomaprojects?

Anoop Kumar Mittal: These are two projects of DDA. The engineering and designing work is in progress. DPR is

under preparation and it may take another 6 months to 8 months' time to actually come to

execution in states.

Loganathan: Sir also what is split up of the order book between PMC and real estate, out of this 35,000

crores how much is PMC?

Anoop Kumar Mittal: You can say 80% is PMC.

Loganathan: And what would be the rest be?

Anoop Kumar Mittal: Out of 20%, 15%-16% is from real estate side and 4%-5% from EPC.

Loganathan: What is this EPC portion, this EPC portion we executed ourselves, is it?

Anoop Kumar Mittal: We executed ourselves like a conductor.

Loganathan: How are the margins in this EPC?

Anoop Kumar Mittal: EPC again, I mean we undertake works with a target of 7%-8% margin but ultimately we

finished with 12%-13% margin with EPC contract.

Loganathan: Sir one final question regarding the status of the fund raising plans and how is that

progressing?

Anoop Kumar Mittal: We have not decided yet, that was approved long back by board. But neither government nor

we have decided yet when it will come?

Moderator: Thank you. The next question is from the line of Sunil Shah from Axis Securities. Please go

ahead.

Sunil Shah: Sir just one question as NBCC you see choice for other government organizations if you want

to set up some offices and all. Sir what are the other choices they have, as in meaning if in Air India in one of the examples we cited earlier wants to set up an office, this connect with NBCC, likewise there will be other departments also from the government that they can approach. Is that thinking correct and if so which are those ones and how is the competitive

landscape between us and them?

Anoop Kumar Mittal: As far as PMC project, they had choice between NBCC and there is a government department,

central works department that is CPWD and there are small PSUs I do not know whether you have heard their names. One is engineers project and they are not EPI, small company there is a company called NPCC, so all these companies are very small companies. There is only one big department available for government services, that is CPWD which is also under same

ministry where NBCC.

Sunil Shah: Sir then how does this work, we would be the first choice or CPWD, central public works

department would be the ...?

Anoop Kumar Mittal: There is no difference between CPWD and the NBCC. This is up to the performance of the

organization on the basis of the past performance, client choose the organization and they ___.

Sunil Shah: Then how is the past performance performing between us and CPWD?

Anoop Kumar Mittal: Huge difference people say I do not know wrong or right but there is a huge difference

between NBCC and CPWD.

Sunil Shah: So our execution and everything is very much, much better on time for the customer or for the

other government?

Anoop Kumar Mittal: This is what people say because you see there is a basic difference between CPWD and NBCC

working and NBCC is a company, public sector undertaking, we work like a company or corporate, CPWD is a government department. So they have some difficulties in taking decisions and other things because they have some old procedures. You can understand the

dealing with the government is always difficult.

Sunil Shah: So that is a great advantage that we have?

Anoop Kumar Mittal: Yes.

Sunil Shah: And sir one basic understanding I wanted to have, whenever we say this is a redevelopment,

what exactly does it mean, it means that there is let us say an income tax office and they want

to demolish it and redevelop it, is that what we call it?

Anoop Kumar Mittal: Yes.

Sunil Shah: So the demolition and the reconstruction of the same premise or same structure is what we call

it as redevelopment?

Anoop Kumar Mittal: Correct.

Moderator: Thank you. The next question is from the line of Akash Chaturvedi from Antique Stock. Please

go ahead.

Akash Chaturvedi: Is there any particular reason why your finance cost to this quarter has spiked up?

Anoop Kumar Mittal: Some of the clients in some of the contracts there was a provision to pass on the interest from

the deposit which they have deposited with NBCC, that is how this has increased.

Moderator: Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go

ahead.

Sanjay Shah: This is Sanjay Shah here. My major questions are asked but just to have more focus on our

redevelopment project, can you explain us in detail how we do that, how we take that project

and how it was their different models or we have a standard model in that?

Anoop Kumar Mittal: There is hardly any difference in execution of a redevelopment project. Only basic difference

between redevelopment project and PMC project is, in PMC project government provide

provisions in their budget. So the amount of money required for constructions from the

budgetary support or from government and whereas in redevelopment projects government does not give any money to NBCC. We have to generate money out of this sale of the part of the property that we have of course proposed initially. So there is no money inflow from government side. Money has to be generated by NBCC from deposits and as far as NBCC is concerned NBCC get agency charges in both the cases. The difference is NBCC get extra charges for marketing the property which we sell part property, this is the basic difference.

Rest of the things are same.

Sanjay Shah: So what is that extra we get, around 2%-3%?

Anoop Kumar Mittal: That is around 1%-1.5%, that is brokerage charges you can say, marketing charges...

Sanjay Shah: So usually this business is more profitable if I suppose in normal...?

Anoop Kumar Mittal: This is more profitable as well as comfortable because in this business whatever money we

receive from the sale of the project or property we deposit that money with us only. So we are not to run after the clients for realization of money or debtor in that case you will see is always

zero. So money is no issue in that particular case.

Sanjay Shah: Sir any development in this smart city we have participated in anything, started anything or

just?

Anoop Kumar Mittal: We are participating. We are contracting all 20 cities councils but it will take some more time

because it is a very initial stage. Now DPRs will be prepared by consultants and they will offer

the projects to agencies. So we are very well in the spray in that.

Moderator: Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please

go ahead.

Pankaj Kumar: Unallocated expenses in the segmental results which we report so in the 9 months you have

seen a very sharp rise in that, so just want to check like, it is on account of which particular

expenses what exactly included in that.

Anoop Kumar Mittal: We are talking about expenses, miscellaneous expenses?

Pankaj Kumar: In the segmental results which unallocated is the PBT if you look at, PBIT mentioned

unallocated D...

Anoop Kumar Mittal: You see basically there is an expenses on employee benefit, so it was difficult to distribute that

expense into different segment in this particular quarter, but in Q4 it will be distributed to

concerned departments or segments.

Pankaj Kumar: And sir my second question is about AIMS redevelopment project that we have got, what

exactly is the size of the project and when we are expecting it to commence?

Anoop Kumar Mittal: See we got two projects from AIMS, one is redevelopment and other is construction of trauma

center on PMC basis. I hope both the projects will start in second quarter of 17.

Pankaj Kumar: What is the size of the redevelopment sir?

Anoop Kumar Mittal: Redevelopment is around Rs. 5000 crores.

Moderator: Thank you. The last question is from the line of Amar Kedia from Nomura. Please go ahead.

Amar Kedia: Sir I have few questions. Firstly, when you talk of your order backlog of 35,000 crores I

understand these does not include the DDA projects, does it include the AIMS project both

these trauma center and the redevelopment order?

Anoop Kumar Mittal: Yes, this includes AIMS project, both the projects.

Amar Kedia: Alright, as far as the DDA projects are concerned I under two are Trilokpuri and Karkardooma

which is the third one?

Anoop Kumar Mittal: One two projects with DDA.

Amar Kedia: So there is only two projects worth about 15,000 crores?

Anoop Kumar Mittal: Rs. 8000 crores DDA projects. There are few other projects like IIPA development in Delhi.

There is 2 projects in Jaipur redevelopment. There are two projects in Odisha government, they

have given. So altogether Rs. 15,000 crores.

Amar Kedia: So they are still in a negotiation stage and which is why you have not taken that as a part of

order book right now?

Anoop Kumar Mittal: Particularly DDA they have already signed the agreement, we have started the work,

preparation of DPR and other projects worth about 7000 crores are under discussion and we

have not signed the agreement.

Amar Kedia: What is the reason for not including that 8000 in your order book as of now, the advance or

something?

Anoop Kumar Mittal: In this quarter we will include that.

Amar Kedia: And including that may be some more new orders you expect order books has...?

Anoop Kumar Mittal: More projects in this quarters may be 15-20 days.

Amar Kedia: Alright. Sir the second thing is on the status of some of your earlier initiative or may be even

agreements that you had for with example with NAWADCO, with Air India, with Rajasthan

and Odisha state governments and all, so what is the status on all those things? How are those things working out in terms of new orders?

Anoop Kumar Mittal:

Except Air India all the associations, joined ventures are progressing well, like in Rajasthan we have formed a joint venture company. They have allocated 2 projects to NBCC. Our team is working on those projects in Odisha probably we will start one project in next month, in NAWADCO we have identified 4 projects, we have submitted DPR, things are in progress, except Air India where we have not made much progress, everywhere things are under control.

Amar Kedia:

And sir lastly in terms of when you talk of the smart city and even let us say the AMRUT mission of the government what would be your role in these initiatives?

Anoop Kumar Mittal:

These smart cities as well as in AMRUT and housing for all there are 3 schemes of Government of India and particularly these schemes are from Ministry of Urban Development. NBCC has presence in all 3 segments and we have approached all 20 city government for smart city projects and as and when AMRUT and all housing for all scheme will come to state will definitely approach them and hopefully we will get some orders.

Amar Kedia:

What kind of orders is my question especially for smart cites which you say is coming up first, would you be looking at building the infrastructure over there or again as a PMC contractor?

Anoop Kumar Mittal:

Our focus will be on redevelopment of their properties because they need money for smart cities and they will go for redevelopment of some of their properties and our focus will be on their segment number one. We may also try some PMC projects but definitely we will not invest anything in their SPV and their infrastructure projects.

Amar Kedia:

Okay so when you say PMC it might even for the civil infrastructure that might be required over the PMC of those things?

Anoop Kumar Mittal:

Yes.

Moderator:

Thank you. Would you like to add any closing comments?

Anoop Kumar Mittal:

No. Thank you for all. I am visiting Bombay on Monday for road shows and one to one to meeting. Anyone of you if you are interested, all of you are welcome. We will host this meeting in Palladium hotel in Bombay from 9 o'clock to 6 o'clock.

Moderator:

Thank you very much sir. Ladies and gentlemen on behalf of Edelweiss Securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.