

Transcript

Conference Call of NBCC Limited

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Presentation Session

Moderator: Good afternoon ladies and gentlemen. I am Moumita, moderator for this conference call. Welcome to the NBCC Limited Q1 FY16 post results call hosted by IDBI Capital. At this moment, all participant lines are in the listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Rohit Natarajan from IDBI Capital; over to you Mr. Natarajan.

Rohit Natarajan: Thank you Moumita. On behalf of IDBI Capital, I welcome you all to the Q1 FY16 post earnings call of National Buildings Construction Corporation. We thank the management once again for giving us the opportunity to host the call. Today we have with us Dr. Anoop Kumar Mittal, the Chairman and the Managing Director. I would now handover the call to Dr. Mittal for his opening remarks; over to you sir.

Anoop Kumar Mittal: Hello. Good afternoon everybody. This is regarding Q1 results. As you know, in this quarter, company has registered growth of 36% in top line. And profit before tax is 20% and PAT is 32%. And this quarter company has generated business of Rs.4500 crores. As of now our outstanding order book is about Rs.26000 crores to Rs.27000 crores. And this financial year we are targeting to achieve top line of Rs.6000 crores and bottom line also in the same ratio increase of say 20% to 25%. These are the few highlights in the last one quarter. Now, the session is open for question and answer.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

The first question comes from Mr. Sumeet from Silver Stallion. Please go ahead sir.

Sumeet: Hi sir. Very good evening to you and your entire team. Sir, I wanted your thoughts, particularly on how do you basically see the order book shaping up. If I heard correctly, you just mentioned that we have an order of about; we have an

order book of about 26000 crores to 27000 crores. Can you share your thoughts on the order pipeline? And how do you see the opportunity of smart cities coming up and how do you think that will benefit us sir? That is my first question.

Anoop Kumar Mittal: Please repeat your question, last few lines.

Sumeet: Sir, my question was basically, how do you see order book shaping up? Currently we are at about 26000 crores to 27000 crores, so how does the order pipeline look? And secondly, for the smart cities, how do you basically see NBCC getting traction for the smart cities concept sir, smart cities projects?

Anoop Kumar Mittal: As far as your first question, part of this question is concerned, as I said our outstanding order book is about Rs.26000 crores to Rs.27000 crores, where our projects which we had not included in this order book of 26000, these are basically projects like DDA Karkardooma and Trilokpuri redevelopment projects or development projects with other agencies. And similarly, recently we had bagged one order from IIPA for development of their property in Delhi. So, there are few projects which we have got. But, we have not included these projects in our outstanding order book. And the only reason why we have not included them, because otherwise our order book will be around Rs.40000, but what we thought that once we start the work at ground, like we have started Kidwai Nagar, at that time we will include these orders in our order book. So, these are few orders, maybe Rs.10000 crores order which purposely we have not included. Otherwise there are few, sorry?

Sumeet: Sorry sir, go on sir. Sorry.

Anoop Kumar Mittal: Otherwise there are few other redevelopment projects which are under negotiation with the Government of India. And very positive response we have got for development of three colonies in Delhi and printing press in Minto Road in Delhi. So, I am hopeful that by the end of this calendar year, by November-December, these projects will be through, because we had two rounds of discussion with Ministry of Urban Development and as well as the Ministry of Finance. And there are other PMC jobs which are in negotiations with different clients. And in first quarter we got, as I said 4500 crores order. So, similar order inflow I am expecting in this quarter also. So, without considering redevelopment projects and DDA projects, I am hoping that our order book should close Rs.30000 crores to Rs.35000 crores as of 1st April 2016. So, there will be increase of say, Rs.10000 crores to Rs.15000 crores order book after, doing 6000 crores work in this financial year. And as far as the smart cities are concerned, we have signed an MoU with IBM and other companies also from abroad. And we are quite hopeful that NBCC will get substantial amount of order in smart city projects.

Sumeet: Understand. So sir, I just wanted to understand this again, so you said that if you included the projects of DDA and couple of other projects, the order book should go to 40000 and the redevelopment projects, there are three of them which are lying with the Government, so that is additional. So, if we include everything, then the order book can go to about 50000 crores. Am I right sir? Is my understanding correct?

Anoop Kumar Mittal: Absolutely correct. Absolutely.

Sumeet: Okay. Perfect sir. I wish you all the best for a fantastic future sir.

Anoop Kumar Mittal: Thank you. Thank you.

Moderator: Thank you sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

Sir, we have our next question from Mr. Deep Master from Enam Holdings. Please go ahead sir.

Deep Master: Hi sir. I wanted to know the breakup between your different business segments in this quarter.

Anoop Kumar Mittal: Hello?

Deep Master: Sir, can you hear me?

Anoop Kumar Mittal: Yeah, I can hear you.

Deep Master: I wanted basically the breakup sir, as in why the margins were under pressure this quarter?

Anoop Kumar Mittal: Margins are under pressure in this quarter? Why you are saying this?

Deep Master: On a quarter on quarter basis, they came in quite much lower than last year, despite us talking about the redevelopment being at a higher margin and even PMC....

Anoop Kumar Mittal: In this quarter we have registered almost 36% growth in top line. And PAT is about 30% more than last year PAT. So, I couldn't understand your question.

Deep Master: Sir, despite having such strong top line growth, why didn't we see any margin improvement?

Anoop Kumar Mittal: Margin has improved by 30%. PAT has increased by 30%.

Deep Master: Your margins are about 3½%

Anoop Kumar Mittal: Sorry?

Deep Master: Your margins are lower than last year. So, just trying to understand why your EBITDA didn't grow in line with your sales.

Anoop Kumar Mittal: This quarter our PAT was Rs.44 crores against last year PAT of Rs.33.52 crores.

Deep Master: Correct. I am talking about EBITDA, before other income.

- Anoop Kumar Mittal:** Before?
- Deep Master:** Before other income.
- Anoop Kumar Mittal:** Basic reason of that which you are talking is, booking of some overheads in this quarter, which is supposed to be booked in whole year, so that is because of that. Otherwise, margins have increased.
- Deep Master:** Right. So, can you tell us what that quantum was of the overhead?
- Management:** Quarter overhead was 14 crores.
- Deep Master:** How much? Sorry?
- Management:** (Inaudible) as compared to (inaudible).
- Deep Master:** Sir, you are not audible, I can't hear.
- Anoop Kumar Mittal:** Hello? Can you hear me?
- Deep Master:** Yeah, now I can hear you. One second.
- Anoop Kumar Mittal:** This quarter overheads are about Rs.80 crores against last year's Rs.60 crores. So, there is a component of Rs.14 crores which is against post retirement medical benefit which we have not included last year. So, this quarter we have taken that in our overhead. So, this is a onetime expenditure. Next quarter onwards it will give you much better position.
- Deep Master:** That is the only difference. That you know you put in your press release. But, that is the main difference you are talking about.
- Anoop Kumar Mittal:** Main difference.
- Deep Master:** Okay. Sir, where do you see the margins going now? On a full year basis, do you think you can again start touching your 7½%-8% mark?
- Anoop Kumar Mittal:** Yes, yes, definitely. It should increase at least by 1%. It should be in the range of 7% to 8%.
- Deep Master:** For the full year?
- Anoop Kumar Mittal:** For the full year.
- Deep Master:** But, this is including other income, right?
- Anoop Kumar Mittal:** Including other income.
- Moderator:** Deep sir?
- Deep Master:** Yeah.

Deep Master: Sorry to interrupt sir. But, if you could just remove your phone from the speaker mode, because there is a slight echo coming in.

Moderator: Sorry. Sir, this is including other income, right, 7% to 8%?

Anoop Kumar Mittal: Yes, yes.

Deep Master: Okay. That is all from me. I will come back in the queue. Thank you.

Anoop Kumar Mittal: Thank you.

Moderator: Thank you sir. Sir, we have the next question from Mr. Siddharth Bhattacharya from Suyash Advisors. Please go ahead sir.

Siddharth Bhattacharya: Hello. Good afternoon sir.

Anoop Kumar Mittal: Good afternoon.

Siddharth Bhattacharya: Sir, in your PMC division, I just wanted to understand, in terms of when you are getting new orders from all these Government bodies, autonomous bodies and State Government bodies, are we seeing some pressure in terms of them negotiating harder compared to a year or so back? Because, I am seeing that the segmental EBIT margins are under pressure for the last six or seven quarters, so just wanted to understand that aspect?

Anoop Kumar Mittal: Which segment you are talking?

Siddharth Bhattacharya: The PMC, our main segment.

Anoop Kumar Mittal: No, it is not, there is hardly any change in negotiations or margins with clients. The average is same, what we were getting last quarter or last year. There is hardly any change.

Siddharth Bhattacharya: Okay, because Q1 last year, our EBIT margins were around 6.3%, which are now close to 5.1%. So, just wanted to understand?

Anoop Kumar Mittal: For the whole quarter, for all segments?

Siddharth Bhattacharya: No, no, just for PMC I am talking about. We have done 6.3% EBIT margins in the PMC segment in Q1 FY15.

Anoop Kumar Mittal: I don't think there is any change in pricing or fee structure with our clients. But, sometimes you see what happens; it is very difficult to calculate quarterly margins in a proper way. But, otherwise you will see at the end of the year, it will be almost same or even better than that. But, when we do more work and the margins will increase, because your fixed overheads are the same.

Siddharth Bhattacharya: Okay. So, you are saying by the end of the year this should average out to the numbers that we have seen in the earlier years?

Anoop Kumar Mittal: It is very difficult to justify in a single quarter or three months figure. But, ultimately you will see that at the end of the year it will be same.

Siddharth Bhattacharya: Okay. Thank you so much sir.

Anoop Kumar Mittal: Thank you.

Moderator: Thank you sir. Sir, we have the next question from Mr. Karthick Gada from Val-Q Investment Advisory. Please go ahead sir.

Karthick Gada: Thanks for the opportunity. Am I audible?

Anoop Kumar Mittal: Yes.

Karthick Gada: Sir, you just mentioned in one of the previous questions about signing an MoU with IBM and other such companies. Would it be possible for you to elaborate on this, anything at this point of time?

Anoop Kumar Mittal: We have signed an agreement, an MoU with IBM. And there are two more companies, one from Korea and one is, another is from I think it is from Malaysia. So, the MoU is (not clear) that both of these companies NBCC as well as either IBM or company from Korea will work together for the development of the smart cities. And we both will quote, bid for smart cities across the country. So, with the sense of these specialized companies like IBM and Korean company, I think NBCC has fair chance and particularly being a public sector company, to get orders from different State Governments for development of their smart cities. The only thing is, still the State Governments are not very clear about their policies and identification of their cities. They are still churning out and are deciding that which city should be smart city. So, I think things will clear after six months to nine months time. It will take some more time.

Karthick Gada: Okay. So, these MoUs, they are strictly for joint work related to smart cities, or we can extend work even otherwise, outside of the smart city projects?

Anoop Kumar Mittal: At present, these MoUs are for only smart cities.

Karthick Gada: Okay sir. Thank you and all the best.

Anoop Kumar Mittal: Thank you. Thank you.

Moderator: Thank you sir. Sir, the next question comes from Mr. Danesh Mistry from Tata Asset Management. Please go ahead sir.

Danesh Mistry: Hello sir, hi. Good afternoon. Thanks for talking to us and congratulations on a good set of numbers. Just wanted to have, just to get some clarity on this DDA project that you have spoken about, is it the Karkardooma one?

Anoop Kumar Mittal: There are two projects in Delhi which we are doing for DDA. One is Karkardooma, which is about 6000 crores and another is project for DDA that is the development, Lake View development, Sanjay Lake View development that is in

Trilokpuri. So, there are two projects. And the second one is about Rs.2000 crores construction development.

Anoop Kumar Mittal: Okay. Because, you mentioned that, so both these two projects, so in terms of the Karkardooma one, have we started work or when do we plan to start works on this?

Danesh Mistry: In both these projects, we have started doing the engineering work. And we are in the process of selecting architect and engineering companies also, especially design. Work you can say has started, but not revenue booking has not started. It will take another four to six months time.

Anoop Kumar Mittal: Okay. Understood sir, understood. And in terms of the smart cities and all sir, what would we be doing? I understand that we are a construction company, therefore we are looking at just the building part or when you say smart cities, it would mean a lot of other things also? So, just some clarity on that, sir, what would be our mandate in that?

Danesh Mistry: Once we go for the smart cities implementation that will be construction as well as doing Technical Park also. It means electronic parks, software parks, everything, total solutions for the smart city. That is why we have signed an agreement with IBM and (not clear) from Korea.

Anoop Kumar Mittal: Understood. Sir, just to put it simply that today for example NBCC along with IBM can bid for a smart city and handle the whole thing, whether it is building roads and everything?

Danesh Mistry: That's right. That's right.

Anoop Kumar Mittal: Okay sir. Alright. Thank you so much. Thank you very much.

Moderator: Thank you sir. Sir, our next question comes from Mr. Rajendra Mishra from IDFC. Please go ahead sir.

Rajendra Mishra: Hello sir. Congratulations on a good set of numbers.

Anoop Kumar Mittal: Thank you.

Rajendra Mishra: Sir, again building on the previous question, just wanted to understand, when we say we will be taking up smart projects...

Anoop Kumar Mittal: Can you speak loudly? You are not audible properly.

Rajendra Mishra: Yeah. I am saying that building on the previous question, when we say NBCC will participate in smart city projects, if you can just elaborate more on the scope of work that will be taken and what kind of deliverables will be there? If you can give some more dope as to what kind of work will be there, what is the scope of work and what kind of economics will be involved?

Anoop Kumar Mittal: In smart cities, primarily there are two or three types of work. One will be construction related work that is creating the infrastructure. Second one will be the electronic park, or the IT parks. Of course that will be with the software also. So, these cities have city Government, municipal corporations may ask bid for, or together construction as well as IT parks or separately. So, what we are doing that after signing agreement with them, IBM and other companies, we will bid for entire solution for smart cities. So, as far as the revenue and other things are concerned, it is not very clear, because it will take some more time, because you see after identification of these cities, first, DPR will be made, engineering parts and detailing will be done, either by municipal corporations or that work also they can give to NBCC and companies, other companies. So, then only you can, or I can understand how much revenue will come from these smart cities.

Rajendra Mishra: Okay, understood. So, you are basically saying that, it is quite early to get into details?

Anoop Kumar Mittal: Yes.

Rajendra Mishra: But, any initial one-two cities which could be coming up in the next six to twelve months or eighteen months, which you think is possible or you think it is little more into the future?

Anoop Kumar Mittal: We have to wait some more time.

Rajendra Mishra: Okay. Thank you sir. Thank you.

Moderator: Thank you sir. Sir, we have the next question from Mr. Rita from Edelweiss Securities. Please go ahead.

Rita: Hello sir. Congratulations on a good set of numbers. Sir, I had one question. What is the breakup of the order book?

Anoop Kumar Mittal: Sorry?

Rita: Breakup of order book among different businesses?

Anoop Kumar Mittal: 26000-27000 (inaudible) total order book. Out of this, 2000 crores approximately will be from real estate construction side. And Rs.700 crores to Rs.800 crores is from EPC contracts and the remaining is PMC. Of course that includes the redevelopment projects of Kidwai Nagar also. Primarily PMC is including Kidwai Nagar is about Rs.4000 crores and the rest Rs.3000 crores is either from real estate or (inaudible).

Rita: So, from the redevelopment part I assume was, the last quarter it was 4200, right?

Anoop Kumar Mittal: Right.

Rita: So, this quarter how much is it?

Anoop Kumar Mittal: I think we have done about Rs.300 crores work in first quarter from Kidwai Nagar.

Rita: 300 crores?

Anoop Kumar Mittal: Yeah.

Rita: Okay. And the order inflow, how much do we expect for the current year?

Anoop Kumar Mittal: Current year, Kidwai Nagar we have done Rs.200 crores, not 300.

Rita: 200 crores, okay. And how much is the order inflow expected for FY16?

Anoop Kumar Mittal: Order inflow is expected about Rs.12000 crores to Rs.15000 crores in this financial year, minimum figure I am giving you. This is very conservative.

Rita: Including the redevelopment project?

Anoop Kumar Mittal: Without the redevelopment project. Without the redevelopment project.

Rita: Thank you. That is it from my end.

Moderator: Thank you. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

Sir, one next question comes from Mr. Dixit Doshi from White Stone Financial Advisors. Please go ahead.

Dixit Doshi: Hello. Good evening sir. Congrats for the good numbers. Sir, I have a question, like in the two projects which you have mentioned for the DDA, so in those projects we will sell it to anybody or it will be for the Government organizations or PSUs only?

Anoop Kumar Mittal: This DDA property will be for everybody. It is open for public, retail or in bulk. But, it will be open for everyone.

Dixit Doshi: Okay. So, just even we were planning that for the next three redevelopment properties also, we are pitching for, to allow us to sell to everybody and not only for the PSUs. So, going forward, do you feel that, the NCR or the Delhi region have so much of demand that we will be supplying like three redevelopment properties, then these DDA properties?

Anoop Kumar Mittal: In Delhi, if I say about these three colonies, they are located at very prime locations, best locations of Delhi, near Chanakya Puri area, which is the most prime area in Delhi. So, the demand in this particular area will always will be very high. So, there will be no problem for selling of these properties. So, potential of the real estate business, if I am not wrong, you are asking this question, so potential is very

good and people will be very much excited buying properties in three colonies area that is in Chanakya Puri. And as far as the Karkardooma DDA project is concerned, this is also in a very good location. And you see in Delhi, there is hardly any development from Government side for masses. Otherwise whatever stock is being created, that is in the NCR area, Noida and Gurgaon. But, in Delhi there is hardly any development. There will be huge sale of these properties.

Dixit Doshi: Okay. And in our real estate division, this quarter we have done very good. So, how do you see going forward in the remaining next three quarters of the year, for our real estate division? And also in the last conference call you have mentioned that some of the State Governments have delayed their purchases of real estate only because of not having them much allocations, so how do you see those things now?

Anoop Kumar Mittal: I am hoping in the next three quarters or so, we will get similar kind of response in the real estate. And if you see in this quarter, first quarter, whatever you are seeing, the sale has been done, that is because some of the public sector and State Governments has purchased our property, that is after approval of their budget. So, this trend will continue in the next three quarters also.

Dixit Doshi: Okay. And how much inventory is left at Okhla now?

Anoop Kumar Mittal: Okhla, inventory I think the balance is about Rs.250 crores to Rs.300 crores.

Dixit Doshi: Okay. So, are we planning to just doing some correction in the price and selling it out or any thoughts on that?

Anoop Kumar Mittal: Not at all. No. No way. No way.

Dixit Doshi: No way, okay. And just last one question, can you give some update on our JV with Air India, any development or any project finalized or any business model finalized, whether it will be a project sharing or a square feet sharing or just the fees?

Anoop Kumar Mittal: If I say bottom line is, there is no concrete proposal has been approved with Air India. But, we are in discussion with them for quite number of proposals in Delhi as well as Bombay. So, I am not sure when these will be matured. But, let us see about that.

Dixit Doshi: Okay. And just last question, you have mentioned that you are expecting these three colonies approval and also the post office approval and also the post office approval, redevelopment approvals by end of this calendar year; so, after once you get the approval, how much time it will take to start the construction?

Anoop Kumar Mittal: Minimum nine months time.

Dixit Doshi: Nine months time, okay thank you sir. That is it from my side.

Moderator: Thank you sir. Sir, our next question comes from Mr. Naveen Jain from JM Financial. Please go ahead sir.

Naveen Jain: Good afternoon sir. Sir, my first question was on the order pipeline that you mentioned about 12000 crores to 13000 crores kind of order inflow you expect for the year, ex of redevelopment projects.

Anoop Kumar Mittal: Can you speak loudly?

Naveen Jain: Hello? Is it better now sir?

Anoop Kumar Mittal: Little better.

Naveen Jain: Sir, actually I wanted to ask about the order inflow pipeline. You mentioned that you expect 12000 crores to 13000 crores kind of inflow for the year, ex of redevelopment projects. Can you please help us understand which are the segments where you are, which are the kind of projects that you sort of...

Anoop Kumar Mittal: Your voice is cracking.

Naveen Jain: One second sir. Hello, is it better now sir?

Anoop Kumar Mittal: Yeah, it is better now.

Naveen Jain: Sir, I was asking about the 12000 crores to 13000 crores order inflow that you expect for the year, ex of redevelopment projects. Can you please help us understand what are the kinds of projects which are in pipeline, which segments they are from?

Anoop Kumar Mittal: I said, we are expecting 13000 crores-14000 crores order from different clients in PMC and EPC contracts, other than redevelopment projects. These will be primarily from different PSUs like Coal India, different State Government like Orissa, Rajasthan, West Bengal and some of the institutions like IITs, medical colleges. So, this is mixed client. It is not one or two clients, because if we get 14000 crores order, so there will be twenty-thirty clients.

Naveen Jain: Sure. Fair enough. Secondly sir, the Kidwai Nagar project execution, is it, last quarter we had about 200 crores of revenue booking you mentioned. So, was it as per plan or is it moving slower than expected currently?

Anoop Kumar Mittal: Again, now your voice is not clear.

Naveen Jain: Hello?

Anoop Kumar Mittal: Yes.

Naveen Jain: Sir, I was asking about Kidwai Nagar project, last quarter you executed 200 crores worth from that project. So, was it as per expectation or was it slightly slower than the expectation?

Anoop Kumar Mittal: 90% you can say we have achieved. There are reasons; the first quarter is always lighter than the second and the third quarter. So, it will improve in the next three quarters.

Naveen Jain: Sure. And finally sir, we had this fund raising plan, so any update on that, when one can expect?

Anoop Kumar Mittal: No, immediate plans for that.

Naveen Jain: Okay. But, the plan remains, right?

Anoop Kumar Mittal: Hello?

Naveen Jain: But, the plan remains, for some time in the near future?

Anoop Kumar Mittal: Maybe. Maybe.

Naveen Jain: Okay sir. Sure. Thank you.

Anoop Kumar Mittal: Thank you.

Moderator: Thank you sir. Sir, we have the next question from Mr. Deep Master from Enam Holdings. Please go ahead sir.

Deep Master: Hi sir just wanted to check on the order book, just wanted to make sure that I got the right numbers. So, your current order book ex of redevelopment is, you said 30000 crores?

Anoop Kumar Mittal: 27000 crores.

Deep Master: 27000 and this would and the redevelopment would be about 12000 crores more?

Anoop Kumar Mittal: Yes, redevelopment, DDA and other projects are almost 10000 crores to 12000 crores.

Deep Master: So, of that DDA itself would be 10000 crores, right?

Anoop Kumar Mittal: Yes.

Deep Master: Okay. And including execution of 6000 crores in the year, you expect to close at 30000 crores to 35000 crores, correct? Plus, another 10000 crores to 15000 crores.

Anoop Kumar Mittal: Correct, correct.

Deep Master: So, you will close at about 45000 crores?

Anoop Kumar Mittal: Maybe, maybe.

Deep Master: After 6000 crores of execution, right?

- Anoop Kumar Mittal:** Correct.
- Deep Master:** Okay. Sir, just on the Karkardooma project, when do you expect to start presales?
- Anoop Kumar Mittal:** Presales? Sorry, presales?
- Deep Master:** Yeah. Like, when do you expect to launch it?
- Anoop Kumar Mittal:** Last quarter of this financial year, sometimes in January-February.
- Deep Master:** Okay, because as I understand, now redevelopment will be different from PMC, in that you would have a float, correct?
- Anoop Kumar Mittal:** Correct.
- Deep Master:** So, you would be relying on sales to fund the project?
- Anoop Kumar Mittal:** Yes.
- Deep Master:** Right. And the only, the money to start the construction will basically come from the equity that you put in?
- Anoop Kumar Mittal:** Yes, that's right.
- Deep Master:** Okay sir. So, in terms of the Kidwai Nagar, do you have stock left or it is all sold out?
- Anoop Kumar Mittal:** Nothing.
- Deep Master:** Nothing. And would Karkardooma be similar to Kidwai Nagar, in that you would be selling to more of the PSUs or you are going to have a different model there?
- Anoop Kumar Mittal:** It will be open for public masses, for retail sales.
- Deep Master:** Okay. And what do you expect to sell at?
- Anoop Kumar Mittal:** About Rs.10000 crores minimum.
- Deep Master:** You are saying 10000 crores of project sales over the life.
- Anoop Kumar Mittal:** Yes.
- Deep Master:** But, what rate would you sell at per square foot?
- Anoop Kumar Mittal:** That we have not decided yet, but that area per square feet rate is in the range of Rs.10000 to Rs.15000 per square feet.

Deep Master: But, then would you come at market rates or would you come at lower rates?

Anoop Kumar Mittal: Market rates.

Deep Master: Okay. Fair enough. That is all from me. Thank you.

Anoop Kumar Mittal: Thank you.

Moderator: Thank you sir. Sir, our next question comes from Mr. Sumeet from Silver Stallion. Please go ahead sir.

Sumeet: Hi sir. I just wanted to ask you, what is our cash today we have on the balance sheet? And sir, secondly, of the real estate what we have today, if you look at the market value, it should be valued today at about 5000 crores, right sir?

Anoop Kumar Mittal: Correct.

Sumeet: Okay. And what is the cash on the balance sheet sir today?

Anoop Kumar Mittal: Cash on balance sheet, one second. 1000 crores.

Sumeet: I am sorry sir?

Anoop Kumar Mittal: Rs.1000 crores.

Sumeet: Okay. And sir, just one thing, all the while the rumors keep coming up and the stakes and all that has the Government communicated anything to you on this stake sale or the Government has not communicated anything to you sir?

Anoop Kumar Mittal: Government has not communicated anything.

Sumeet: So, this is all basically all market rumors, speculations?

Anoop Kumar Mittal: Yes. Yes.

Sumeet: Okay, that is helpful sir. Thank you very much sir. Thank you.

Moderator: Thank you sir. Sir, we have the next question from Mr. Akilesh Kumar. He is an Individual Investor. Please go ahead sir.

Akilesh Kumar: Hi Mr. Mittal. I have just one query, like we have three redevelopment projects coming up for approval by Cabinet, when do you expect that?

Anoop Kumar Mittal: Please speak little loudly; I am not able to hear you.

Akilesh Kumar: Okay. The three redevelopment projects which are awaiting for Cabinet approval, when do you expect that to happen?

Anoop Kumar Mittal: Redevelopment has three colonies which we are talking. We are hoping that by end of this calendar year, we will get approval from Government. And it will take another nine months time to start the round.

Akilesh Kumar: Okay. So, any particular reason for the delay, because it has been lying there for a long time, right?

Anoop Kumar Mittal: In Government it takes time and when you are particularly redeveloping existing colonies where people are living, so it takes time, because there are number of Ministries and departments are involved for giving the approval. So, it generally takes this much of time.

Akilesh Kumar: Okay. And then the last thing, are we linking our FPO to that work to come by, because it is there where we require huge amount of capital?

Anoop Kumar Mittal: No, not at all.

Akilesh Kumar: Okay. So, FPO just we have approved and we are waiting for the right time, right?

Anoop Kumar Mittal: Government has not yet asked us to go for FPO. So, there are no immediate plans on that.

Akilesh Kumar: Okay. That is it. Thank you.

Moderator: Thank you sir. Sir, we have the next question from Mr. Danesh Mistry from Tata Asset Management. Please go ahead sir.

Danesh Mistry: Just a follow up on Karkardooma, if you can just run us through the model as to how it is working on for you. So, one is that, you had mentioned that the project cost is 6000 crores and then also the total realization will be 10000, because you will be taking on the inventory. So, how is it? Is it that the DDA and you will share it equally or some kind of color on that would be very helpful for us?

Anoop Kumar Mittal: NBCCs role is as project management consultant for DDA, so NBCC will get agency charges, say 10% on construction cost, that is Rs.6000 crores and we will get certain percentage 1% as marketing charges.

Danesh Mistry: How much sir? 1%?

Anoop Kumar Mittal: 1%. Sale of property, maybe 10000 crores or more than that. And the profit, the profit after this will go to Government, to DDA.

Danesh Mistry: Okay. So, there is no inventory risk that you are running? Today for example if you are selling it to third party, if you are not able to sell it also, your only 1% is at risk, correct?

Anoop Kumar Mittal: Yes, correct.

Danesh Mistry: Okay sir. And sir, one more question sir, earlier there was some talk of some Delhi railway station and all that. Any progress on that?

Anoop Kumar Mittal: Not really. But, still we are working out and we are making master plan and DPR for that. But, we have not heard anything from Government yet let us wait.

Danesh Mistry: Alright sir. Thank you so much sir. Thank you.

Moderator: Thank you sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

Sir, our next question comes from Mr. Deep Master from Enam Holdings. Please go ahead.

Deep Master: Sir, just a follow up question in Karkardooma. So, hypothetically in any of the redevelopment projects, if sales are lacking, then the project execution itself will stop?

Anoop Kumar Mittal: No, no.

Deep Master: So, how will that be funded?

Anoop Kumar Mittal: The land equity, you can consider free of cost in these projects, because land is already available there. So, if the sale value is Rs.20000 crores, the construction cost will be say, in the range of Rs.3000 crores to Rs.5000 crores. So, there is hardly any chance that the inventory of 25% value is not sold. So, I don't see any chance in redevelopment project, where money is the problem.

Deep Master: Okay. So, you will be launching it also at Rs.10000 only and not at a lower and then start scaling it up?

Anoop Kumar Mittal: Yes, even more than that.

Deep Master: Okay. And what is the average construction cost we should estimate for your redevelopment projects?

Anoop Kumar Mittal: About Rs.3000 crores to Rs.3500 crores altogether.

Deep Master: Altogether?

Anoop Kumar Mittal: Yes.

Deep Master: Meaning for Karkardooma itself?

Anoop Kumar Mittal: Yes.

Deep Master: So, would that be like Rs.1000 a square foot?

Anoop Kumar Mittal: Rs.3500.

Deep Master: Rs.3500 crores?

- Anoop Kumar Mittal:** Rs.3500 per square feet.
- Deep Master:** Per square foot, Rs.3500?
- Anoop Kumar Mittal:** Yes.
- Deep Master:** Okay. For redevelopment?
- Anoop Kumar Mittal:** Yes.
- Deep Master:** Okay. And sir, in terms of the inventory on real estate side, how much inventory do we have now?
- Anoop Kumar Mittal:** From real estate side, ready to be available inventory is about Rs.500 crores. But, the total inventory would be Rs.5000 crores, if we consider the entire real estate property.
- Deep Master:** And how much will we have to spend for that?
- Anoop Kumar Mittal:** Sorry?
- Deep Master:** In order to realize 5000 crores of sales, to finish your inventory, how much do you have to spend?
- Anoop Kumar Mittal:** Rs.1800 crores.
- Deep Master:** 1800, incremental?
- Anoop Kumar Mittal:** Yes.
- Deep Master:** Right. And sir, this 500 crores, is that market value or at cost?
- Anoop Kumar Mittal:** At the present value.
- Deep Master:** Okay. And how much land would we be having right now?
- Anoop Kumar Mittal:** 170 acres.
- Deep Master:** This is all at Okhla?
- Anoop Kumar Mittal:** No, no. In the entire country, different locations of twenty five-thirty places.
- Deep Master:** Okay. And sir, any updates on, we have a redevelopment opportunity in Bhubaneswar and Rajasthan, so any updates on that?
- Anoop Kumar Mittal:** Yes, we have submitted few DPR to Government of Rajasthan and Orissa. So, we are expecting approval from State Government in the next two to three months for at least one project at each location, each State.

Deep Master: And what ticket size would this be?

Anoop Kumar Mittal: Rajasthan, first project is about Rs.600 crores and Orissa is about Rs.1000 crores.

Deep Master: And again this would be redevelopment?

Anoop Kumar Mittal: Redevelopment.

Deep Master: And sir, one question that I come to now is in terms of the execution. With such a big order book, our executions will have to really pickup in the coming years, so could you give us any guidance for the next two or three years, in terms of maybe growth or how much execution you expect to do, say next year?

Anoop Kumar Mittal: This year we are targeting, we are hoping that we will do Rs.6000 crores and register about 30% growth, from last year. So, our next five years plan is to achieve at least 25% CAGR in the top line. So, accordingly the bottom line will also improve.

Deep Master: Absolutely. So, execution you expect to keep improving at 25%?

Anoop Kumar Mittal: Yes.

Deep Master: But, looking at your order book, I would expect you to have to grow faster than that even.

Anoop Kumar Mittal: In the next conference call, say first quarter of the next year, I may increase this figure of 25% to 35% or 40%. But, at present whatever orders we have in our pocket, so that is why I am saying 25%. Let us wait for redevelopment of three colonies and other projects; this will definitely be (not clear).

Deep Master: Sure. I understand. Thank you.

Moderator: Thank you sir. Sir, we have the next question from Mr. Akilesh Kumar. He is an Individual Investor. Please go ahead sir.

Akilesh Kumar: Sir, I wanted to know just one more thing, regarding WAGF properties, what we have taken in Bangalore, what is the status there? We are making progress there?

Anoop Kumar Mittal: Yes, we have prepared the plans and DPR and it is almost on final stage. From the owner side, they are likely to approve in this month. And from next month onwards something will be there on the ground.

Moderator: Mr. Kumar, your voice is breaking sir. Sir, I think we have lost him. We will move to the next question.

Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

Sir, our next question comes from Mr. Mayur Parkaria from Wealth Managers. Please go ahead sir.

Mayur Parkaria: Sir, out of 24000 crores order book of PMC, how much would be redevelopment currently?

Anoop Kumar Mittal: It is about outstanding order from the redevelopment side will be approximately Rs.3500 crores. And this is primarily from East Kidwai Nagar.

Mayur Parkaria: Right. If we exclude this Rs.3500 crores, which is around 20500 crores, what kind of margin do we see on the core PMC business?

Anoop Kumar Mittal: If we leave this Rs.3500 crores, 20000 crores will be traditional PMC business. The average margin will be about 9%.

Mayur Parkaria: Do you believe we will be able to realize 9%?

Anoop Kumar Mittal: When we are saying 9% margin means, this is 9% average agency charges, fee we get from clients. So, out of that 9%, we have some expenditure on supervision, we have expenditure on planning and designing. So, ultimately we get net 6% or somewhere that as our profit margin.

Mayur Parkaria: So, our EBIT margin on this will be around 6%?

Anoop Kumar Mittal: Correct. And there is some indirect income also from these projects of PMC that is what deposit we get from these clients. We earn certain amount of interest also. So, that also comes as indirect income of profit from these projects.

Mayur Parkaria: Right. And sir, on the redevelopment project, I just wanted some clarification. You said the project cost is 6000 crores?

Anoop Kumar Mittal: Which one?

Mayur Parkaria: Karkardooma.

Anoop Kumar Mittal: Karkardooma DDA, yes.

Mayur Parkaria: 6000 crores. And the realizable value of the total is 10000 crores?

Anoop Kumar Mittal: Minimum 10000 crores as on date figure. But, it will increase once we will start selling the property.

Mayur Parkaria: So, what is the total area which is saleable?

Anoop Kumar Mittal: The total area is approximately one, ten million square feet, 1 crore square feet.

Mayur Parkaria: And you are expecting around Rs.10000 and hence it is 10000 (inaudible)?

Anoop Kumar Mittal: Minimum Rs.10000, but this will be more in some cases when you are selling commercial or institutional property. And 10000 is residential property.

Mayur Parkaria: Okay, 10 million is, so 10 million is total and residential and commercial would be?

Anoop Kumar Mittal: That we are working out. It may be 70% or 30%. Broadly 1 crore square feet total area and average rate we have taken Rs.10000 crores, because it hardly matters for company, because we are getting only 1% marketing fee. If it is 10000 crores sale, so we will get Rs.100 crores as agency charges. If it is Rs.12000 crores, we will get Rs.120 crores. So, it will hardly matter that at what rate we are selling this.

Mayur Parkaria: So, on this we will get 10% on the construction cost as PMC charges, right?

Anoop Kumar Mittal: Yes, absolutely.

Mayur Parkaria: And 1% as marketing margin on the sale?

Anoop Kumar Mittal: Yes.

Mayur Parkaria: Now the amount which the project cost of 6000 crores, which we will have to incur, how will we fund that?

Anoop Kumar Mittal: We are not going to fund this project, except some seed money initially, maybe in the range of Rs.200 crores to Rs.300 crores. But, immediately once the drawings are approved, we will start selling the property. So, we will start booking the property and money will inflow for the construction of the project. And similar model we have adopted in Kidwai Nagar and there our experience is, we have collected almost Rs.3000 crores, even before start of the actual work.

Mayur Parkaria: So, you don't plan to take any debt on both the projects?

Anoop Kumar Mittal: No way, no.

Mayur Parkaria: Okay. Thank you sir. That answers my questions. Thanks.

Moderator: Thank you sir. Sir, the next question comes from Mr. Dixit Doshi from White Stone Financial Advisors. Please go ahead sir.

Dixit Doshi: Hello. Sir, since we do almost the entire work is outsourced, so can you give us the number of developers we have, construction guys?

Anoop Kumar Mittal: We don't engage developer. We engage contractors.

Dixit Doshi: Yeah, number of contractors?

Anoop Kumar Mittal: We may be having 200 contractors at different places.

Dixit Doshi: Okay. And how much the top ten contractors would be contributing in terms of work?

Anoop Kumar Mittal: 60%.

Dixit Doshi: 60%. So, just for the execution side, do we have....can we scale up the operation in terms of, those ten, fifteen, twenty companies, top contractors, do they have the balance sheet strength also to execute such large projects, because our order book has been increasing very fast?

Anoop Kumar Mittal: Yes, yes, why not?

Dixit Doshi: Okay and just one question about the order book, so do we target in the initial, in the starting of the year that this much X percentage of the opening order book should be executed during the year or something like that in the past?

Anoop Kumar Mittal: What you are trying to (not clear)?

Dixit Doshi: Like, in the starting of the year we have an order book of around let's say 20000 crores and we are planning for something like 6000 crores of sale. So, we are planning almost 30% of the order book to be executed during the year. So, going forward let's say in couple of years' time, once you get all the approvals from the redevelopment projects and also the Air India or many other joint development projects, so the 30% of the order book execution, is this rate sustainable or since our order book is growing much faster, the execution percentage might come down?

Anoop Kumar Mittal: I am not able to understand what you are asking. We engage contractors depending upon the value of the project. There are number of contractors available in the country, domestic contractors like Shapoorji Pallonji, L&T, Nagarjuna, blah...blah.... There are number of projects. There is no dearth of contractors in the country. We have around 300 projects in NBCC, the value in Rs.10 crores to Rs.1000 crores or maybe Rs.5000 crores. So, these projects are being executed by different contractors and different values. So, there is no issue on this.

Dixit Doshi: No, my question is related to like, since we have let's say order book of 20000 crores and we are targeting 6000 crores of sales. So, we are targeting around 30% of the opening order book to be executed during the year.

Anoop Kumar Mittal: No, no, this 20000 crores is project management consultancy projects, where clients pay. They pay us the amount for construction. So, these are not redevelopment projects. These are not projects where revenue has to be generated from the project. There is only one project which we are doing on self revenue generation, which we call redevelopment and that is Kidwai Nagar. Similar model, there will be another project DDA. Once we will start Rs.6000 crores, there will be five-six contractors of different range, Rs.500 crores to Rs.600 crores to Rs.1000 crores. And initially we need for Rs.6000 crores, we need around Rs.500 crores to Rs.1000 crores in first year, that we will generate out of that Rs.10000 crores sale.

- Dixit Doshi:** Okay. Thank you.
- Moderator:** Thank you sir. Sir, our next question comes from Mr. Naveen Jain.
- Anoop Kumar Mittal:** How much more time you will take? I have another meeting.
- Moderator:** Sir, this is the last question.
- Anoop Kumar Mittal:** Yes.
- Moderator:** Sir, it is from Mr. Naveen Jain from JM Financial. Please go ahead sir.
- Naveen Jain:** Sir, thanks for the follow up opportunity. Am I audible?
- Anoop Kumar Mittal:** Yes, you are audible.
- Naveen Jain:** Sir, just wanted to ask about the subsidiary that we have formed in Gulf, Oman called NBCC Gulf. So, are there any projects immediately visible in that subsidiary, in the near term?
- Anoop Kumar Mittal:** I can't tell you right now, unless we get the projects. There are number of projects for which we are trying through negotiations as well as we are bidding also. So, since now company has been formed, so we are hoping that some projects will start.
- Naveen Jain:** Sure. Sir, another thing is, just one small clarification actually. So, what was our order backlog at the beginning of the year, this financial year?
- Anoop Kumar Mittal:** Rs.20000 crores-Rs.21000 crores.
- Naveen Jain:** Okay. So, we have booked roughly 7 odd thousand, 7 to 7½ thousand odd crores.....?
- Anoop Kumar Mittal:** We have booked almost Rs.5000 crores order, which is first quarter. So, now our outstanding order book is Rs.26000 crores. After doing Rs.1000 crores, there will be variation of Rs.500 crores to Rs.700 crores. Approximately the order book in the beginning of the year was Rs.20000 crores to Rs.21000 crores.
- Naveen Jain:** Okay. So, we have not booked any redevelopment project in the first quarter?
- Anoop Kumar Mittal:** No, we have not booked any redevelopment project.
- Naveen Jain:** Sure sir, sure. Okay. Thanks a lot.
- Moderator:** Thank you sir.
- Anoop Kumar Mittal:** Thank you. It is over?

Moderator: Yes sir. Thank you so much sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good evening everyone.

Note:

- 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.