Transcript

Conference Call of NBCC

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Presentation Session

Moderator: Good afternoon ladies and gentlemen. I am Maria, moderator for this conference call. Welcome to the NBCC Q4FY15 post earnings call hosted by IDBI Capital. At this moment, all participants are in listen-only mode. Later, we will conduct a question and answer session. At that time should you have a question, please press * and 1 on your telephone key pad. 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 Maria. On behalf of IDBI Capital I welcome you all to the Q4FY15 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 Managing Director and Ms. B. K. Sokhi, Chief General Manager, Finance. I would now hand over the call to Dr. Mittal for his opening remarks. Over to you sir.

Anoop Kumar Mittal: Good afternoon friends. This is A. K. Mittal, Chairman, NBCC. My colleague Ms. Sokhi is with me. On 22nd of this month we have declared our annual results. Total turnover for this year was 4632 crores against last year's turnover of 4038 crores. Whereas total income from operations has increased 14%, total income is 4821 in comparison to 4204 of last year. Profit before tax this year we have registered 392 and last year it was 349, so there is increase of 12.51%. And profit after tax is 278.28 against last year's of 257.45, there is increase of 8.09%. So there is increase of 14.7% in turnover and there is increase of 14.67% in total income from operations, 12.51% increase in profit before tax and 8.09% increase in profit after tax. On first of April 2015 our outstanding order book was Rs.20,000 crore and as on date, I mean, end of May you can consider our order book is almost Rs.24,000 crore. So, this is our few highlights and rest of the things we will disclose once we start question and answer session.

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 key pad and wait for your turn to ask the question. If you would like to withdraw your request, please press * and 1 again. We have our first question from Mr. Dixit Doshi of Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Hello?

Anoop Kumar Mittal: Hello?

Dixit Doshi: Yeah. Sir, first question, if you can elaborate that what was the reason for this fund raising for FPO and secondly can you just give us the company's own properties, what is the current outstanding inventory where the 100% of the work has been completed, but not yet sold?

Anoop Kumar Mittal: See, (inaudible 03:48 to 04:34). So all these projects of redevelopment NBCC has to invest initial seed money, that is 5% to 10% of the __**04:43**__ where we get 18% IRR. So for all this projects we need some money to invest. So we are going very aggressively 20000 to 40000 crore is our target for two years. That is why we need the money, that is why we have gone for Rs.1000 crore fund raising through FPO.

Dixit Doshi: Okay. And in terms of inventories?

Anoop Kumar Mittal: One more thing I would like to clarify to all of you, that this fund raising is exclusively for redevelopment project where our income is __**05:22**__ income through IRR __**05:24**__. This money we are not going to use for our real estate ventures.

Dixit Doshi: Okay. Can you tell us about the inventory of our own property?

Anoop Kumar Mittal: See, we have around (**Inaudible 05:46 to 05.53**) out of that 20 acre land property we have sold, so 122 acre land of the property is either developed or under __**06:07**__ that is #1. So, at present we have around ready inventory of 400 to Rs.500 crore, which is __**06:22**__ Okhla or some other places like Calcutta or Gurgaon and if I calculate the total value of my real estate properties, which is going to be sold in future after __**06:35**__ all the properties of 120 acres, it will be around 4500 to 5000 crore __**06:43**__.

Dixit Doshi: Okay. And just one more question sir. Sir, recently we got the orders of 15 crores in the month of April, sir you have mentioned that some of those orders have to be executed within next six months. In terms of your, let's say, order book of 20000 crores, around 4000 crores will be the Kidwai Nagar, so for 16000 crores other works, can you just tell us what is the average time line execution period that over how many years this 16000 crores has to be executed?

Anoop Kumar Mittal: See, as far as the 16000 crore order book (**inaudible 07:21 to 07:31**)

Dixit Doshi: Okay, but maximum will be 30 months.

Anoop Kumar Mittal: So, total you can say (**inaudible 07:38 to 07:40**)

Dixit Doshi: Okay. And just last one question sir. Sir, in terms of recently MOU with WAKF property, we have seen that this time around PMC fees has been around 7% and the marketing fees are 1% of the sales value and previously we have been taking the orders at 10% fees and 2% marketing value, so are we seeing any pressure or this is just specific to the WAKF property.

Anoop Kumar Mittal: No, there is no pressure. (**inaudible 08:13 to 08:50**)

Dixit Doshi: Yeah. Okay, and this 400 crore WAKF property MOU, it will be majorly residential or mixed commercial, residential?

Anoop Kumar Mittal: Mixed, it all depends what kind of (**inaudible 09:03 to 09:26**).

Dixit Doshi: Okay, thank you sir, that's it from my side.

Moderator: Thank you. We have our next question from Mr. Sumit Rathora of Silver Stallion. Please go ahead.

Sumit Rathora: Hi sir. Firstly many congratulations on a fantastic set of results. Sir, before I proceed, your voice is not coming very clear, so it is very hard to hear what you are saying, so can you speak a bit loudly because you are not very audible.

Anoop Kumar Mittal: Now, it is okay?

Sumit Rathora: No sir, I can barely hear your voice. Okay, I will anyway ask my question. Sir, firstly, you know, I heard you today this morning, you were on air on TV and sir you said that our order book was right now about 24, 25000 crore, and that is not including one of the major projects for the East Delhi hub. So, technically today we are at about 30000 crore of order book, am I right sir?

Anoop Kumar Mittal: Absolutely.

Sumit Rathora: Okay. Sir, secondly, my point is now, can you also throw some light on, you know, I read a couple of interviews or couple of articles on NBCC and it basically said that 18000 crore of projects are waiting for cabinet approval. Is that correct as well sir?

Anoop Kumar Mittal: Yes, it is right.

Sumit Rathora: So once we get approval then our order book can go to about 48 to 50000 crore. Sir, can you also throw some light on the WAKF opportunity because if my understand is correct, do you know, this can be a stepping stone to very big things in the future, so can you just throw some light on the WAKF opportunity sir, on how big it can be?

Anoop Kumar Mittal: Hello? Now it is okay?

Sumit Rathora Yeah, now it is fine.

Anoop Kumar Mittal: See, as far as WAKF properties are concerned, they have around five to six lakh acre land across the country, right? So in first phase they identified four properties, one in Jodhpur and three in Bangalore. So, after doing all due diligence and engineering work we finalized these four properties, so specific agreement has been signed for these four properties and now we are starting work there, I mean, finding out the rates and other things, so that we can start selling the property and start construction. This is phase 1. So, all these properties, say they have 4000 to 10000 number of properties of six lakh acres, so things will go in phases only. This was first phase, in second phase we have identified 10 to 12 properties. Now, our team of NBCC and WAKF Board, both are in discussion with each of them and then we will finalize these properties also in next six months' time. So, now you may hear good news after six months for four, five more properties. So, it will go like this only, and finally once one or two projects is delivered, the things will improve for us.

Sumit Rathora Okay. And sir, and coming back to you on the FPO, you know, have you thought about any timeline because in my eyes that is the only over hang on the stock today. So, is there a __**12:38**__ timeline on the FPO sir? Any timeline on that?

Anoop Kumar Mittal: We have not fixed any time line. You see, only thing is we need, we thought we should have some money, since we are approaching lot of plans for redevelopment. Definitely they will see your balance sheet and your results, whether you can spend money in initial construction or not, so when we are saying we will have 40 to 50000 crore order book in one year's time, so you must have some money with you to invest in initially. So, that is why we thought to raise 1000 crore rupees, that is one. So this is not immediately we need this money, we have approved this in our board now, we have given it to our ministry, it will go in all the channels and finally when government approves this, we will go for FPO. I don't know why market is reacting so, I mean, negative on this. This money is not going anywhere, it is coming to, first of all NBCC, it will be spent in redevelopment projects where we will get 18% IRR, #2, in case there is no taker of this money in redevelopment, this money will be deposited in FDRs. So ultimately this will give huge return to company and all the stakeholders. I don't know why market is reacting so negative on this.

Sumit Rathora: I don't know, this is the way market is.

Anoop Kumar Mittal: If market feels that we should grow at the rate of 10 to 15% like this only, then it is okay. If we have opportunities, particularly in redevelopment, where there is no competition, no player, why we should not track this opportunity?

Sumit Rathora: I am completely with you on that point. So sir, coming back to that other point on growth rate, this year, you know, you entered the year very well at 4700 crore and you know you are aspiring to get to 6000, which is a good 25 to 30% growth. So sir, with the order book now going to 40, 50000 crore, okay, so can we expect that this growth rate will sustain and accelerate, because you have a very big order book, right, and opportunities are going to be very big, and sir __**14:56**__ is what is the size of the opportunity of the smart cities, because that is something which can be very big, right sir?

Anoop Kumar Mittal: You see, initially you yourself said that after approval of these three colonies or whatever cabinet note has gone, our order book will be to the tune or 45000 to Rs.50000 crore. So, like, there is no reason this company should not grow with the rate of 30%. There is no chance. You see, if we have 50000 crore of order book, so if we do say 30% of that or 20% of that, so 10000 crore, so there is no chance of, I mean, growing less than 30%, that is one. So, I am quite sure that this year we should do 6000 crore and next year our target should be much, much more than this

30% or whatever. It all depends that how much happens, that is one. And as far as smart cities is concerned, government has approved smart city fund, still they have to come out with the guidelines of the smart cities. And what I have heard that government will declare this smart city guidelines in 15 to 30 days' time. After that we will approach some of the state government or some of the state government may approach us for this work, then furthermore we will tell you.

Sumit Rathora Okay, perfect. Thank you so much sir. And I wish you all the best for the future sir.

Anoop Kumar Mittal: Thank you.

Moderator: Thank you sir. We have our next question from Mr. Kaushal Shah of Dhanki Securities. Please go ahead.

Kaushal Shah: Thank you sir for the opportunity. Sir, further to the last question, if you can kindly throw some more light on the project that we are likely to get from the Labour ministry for the EPFO housing project?

Anoop Kumar Mittal: You see, I don't know where you have heard this about EPFO Housing project. This was very, very initial talk, and that was some discussion at government level. It is still totally, I mean, very initial stage, I cannot give you any further information on that.

Kaushal Shah: Okay. And sir, any progress on the redevelopment projects, the other redevelopment projects which were likely in Delhi itself?

Anoop Kumar Mittal: Yes, three more colonies are in pipeline and the development is, government has moved the cabinet note on this subject and I hope the timeline should be around six months' time. So, in next six months we should hear some positive news on this.

Kaushal Shah: Okay. We should hear by the end of this year…

Anoop Kumar Mittal: This calendar year I can, yes.

Kaushal Shah: Alright sir, thank you.

Moderator: Thank you, sir. Ladies and gentlemen, if you have questions, please press * and 1 on your telephone keypad. I repeat, if you have questions, please press * and 1 on your telephone keypad. We have our next question from Mr. Darshan of Engineer Alchemy Capital. Please go ahead.

Darshan: Good afternoon, sir.

Anoop Kumar Mittal: Good afternoon.

Darshan: Sir, initially I was not able to hear you properly, so two questions would be of a repeat nature, first is why the need for an FPO and second of the real estate question that was asked, I will ask my further questions after that.

Anoop Kumar Mittal: You see FPO, the company is now doing redevelopment projects and going very aggressively not only with Central Government in Delhi, other state governments also and results are very encouraging and few state governments like Orissa Rajasthan government have already signed agreement with NBCC and further works are coming in Delhi also, so in redevelopment segment the model is the company has to invest initial seed money in construction till we start generating revenue from the projects on which we get 18% IRR, so management thought we should have more money with us so that we can attract more clients and we can do more business on that. So, we thought we should raise Rs.1000 crore from market through FPO, this was the proposal. So, now board has approved this proposal, now it will go to government and cabinet, etc., etc. Once it is approved then we will go for FPO.

Darshan: Okay sir, the reason I am asking this is that in between say a few months back the government was thinking of diluting its stake in your company through __**19:46**__, so then how does this relate to the need for government's own divestment program?

Anoop Kumar Mittal: First of all this FPO of 1000 crores is purely for management for this company and government may go for 15% dilutions further in the company, if they go for that both the things they may club and in that case Rs.1000 crores government will give to NBCC and remaining government will retain with the same 5 to 6% whatever left with. So, in all probabilities, all cases the company will be in benefit.

Darshan: Okay and sir about the real estate question, if you could answer that again?

Anoop Kumar Mittal: What was that?

Darshan: Sir, initially somebody asked about the real estate inventory and other…

Anoop Kumar Mittal: Yes, inventory, we have around 120 to 122 acre land which is still under developed and some of the projects are in the final stage, some are under construction, some we have to start. So, today the inventory which we have, I mean, built up inventory is about Rs.500 crore and major is in Okhla, that is commercial complex and there are inventory in Gurgaon, Kolkata and other places, four, five places. This is the inventory available right now and if we develop the entire 122 acres, so in today's market rate, saleable rate we have worked out rough figure which is about Rs.4000 to Rs.5000 crore.

Darshan: Right, sir and now if we look at your quarterly numbers, sir we observe that, I mean, __**21:39**__ working on larger project sizes of higher margins and the EBITDA margin is still reflecting the same old around 5 to 6% and so when will we see a structural shift upwards in our EBITDA margins in the civil construction or the PMC business?

Anoop Kumar Mittal: Will you elaborate this question further?

Darshan: Sir, I mean, increasingly we are working on higher margin PMC projects, right, like redevelopment projects and so on, but it is not yet getting reflected in the quarterly numbers as in the EBITDA margins continue to remain around 5% or say 6% and so on.

Anoop Kumar Mittal: You see, this redevelopment projects, the first was New Moti Bhag, that was done in 2007 to 2010-'11 and major projects we have started very recently, that is East Kidwai Nagar and last year we have booked very meager amount in that segment…

Darshan: Sir, how much was booked last year, FY15?

Anoop Kumar Mittal: I think it was Rs.300 crore, so from this year onwards you will see real increase, real I mean, impact of redevelopment, maybe 900 to Rs.1000 crore and once the other projects are, I mean, taken off then you will see these margins are increased now and second thing is real estate is not doing well across the country or across the globe in the last 4, 5 years, but somehow we are managing. If you have seen last quarter we have sold some inventory and we have raised a good amount of profit in the last quarter, so I hope in future this year or next year it will also improve our profitability.

Darshan: Okay and sir, one last question, this is regarding the, if I were to look at your overall PMC, real estate and EPC, so how would the breakup likely be in FY16?

Anoop Kumar Mittal: You see, presently our real estate is contributing 10% and EPC 4 to 5 % and remaining 85% is from PMC business. PMC, redevelopment also we are considering in PMC business. So, this year or next two, three years my target is to increase this EPC volume from 5% to 10% and real estate from 10% to 25%, but this will be subject to how market is reacting in real estate. It is not sacrosanct figure that we have to achieve 25%, if market is not responding well we will not go aggressively in real estate, but definitely in redevelopment we will be very aggressive because that is model which suits NBCC which suits our customer and clients and which is very, very lucrative and safe model.

Darshan: Okay, sir one last question, sir if you look at our balance sheet the cash has come down significantly to around say 1000 odd crores whereas in earlier years we used to be at around 1400, 1500 crores, so should we expect further decline in cash levels and is this a reason why we thought of an FPO in the first place?

Anoop Kumar Mittal: No, not at all. First of all this cash is not 100% belongs to NBCC, never, right? There are two, three reasons of less cash, one, we could not sell our real estate properties in the financial year, then we have purchased few land parcels in the last two to three years which we could not convert it into real business, but that was not major thing, but major issue was in declining this deposit is, this new government has taken over in May-June last year, so they could not approve the budget, that was interim budget and finally they approved this budget and placed budget in February, so our most of the client which are Central Government department did not give us advances. Now, I don't know whether details are available or not, but last quarter of last financial year we got substantial amount of advances. Now advances are flowing in, so this was a temporary problem, this year you will not find the same thing.

Darshan: Okay, so we should expect cash levels again to go back to around 1300 odd levels?

Anoop Kumar Mittal: Much more.

Darshan: Okay, sir and out of this 1300 crores cash how much would be our NBCC cash and how much would be advances from customer where you have to pay the interest back to the customer?

Anoop Kumar Mittal: As far as giving back the interest is, it is not in 1300 crores, that is in separate account also, so that is one thing and one more thing I would like to tell you, in Kidwai Nagar we had about 5000 crore inventory initially and we could manage to sell about 4000 or more than that, 4500 crore inventory in this financial year. So, that itself speak the credentials of NBCC whereas no other developer or real estate developer, I mean, could sell those properties.

Darshan: Okay sir, thank you so much.

Moderator: Thank you, sir. We have our next question from Mr. Rajendra Mishra of IDFC, please go ahead.

Rajendra Mishra: Hello sir.

Anoop Kumar Mittal: Hello.

Rajendra Mishra: Yeah hi, pleasure talking to you, I was not in the initial part of the discussion, so could you just re explain this order book target of 40 to 50,000 crores next one year, how is that going to be achieved?

Anoop Kumar Mittal: You see, as far as order book is concerned on 1st April 2015 our outstanding order book was Rs.20,000 crore. As on today our order book is 24,000 crores, means in the last two months we secured around 4000 crore jobs, that is one and in this 24,000 crore order book we have not included our major project, that is DDA Karkadooma Project which we bagged in January 2015, so if you include that it will become around Rs.28 or 29,000 crores. The other gentleman mentioned that if we get order of three colonies which are under approval by cabinet, the value of which is about 14 to 15,000 crore, so automatically this order book will become Rs.45,000 crore.

Rajendra Mishra: Okay, so the three projects that you are talking about is basically that Subash…

Anoop Kumar Mittal: Netaji Nagar and Kasturba Nagar, etc., etc. and other than this Rajasthan government redevelopment, Orissa government redevelopment and other state redevelopment, WAKF Board, future projects, Air India we have not taken into account.

Rajendra Mishra: Okay and this DDA project, what is the contour of this project, DDA project?

Anoop Kumar Mittal: DDA project is development of 100 acre land, the construction cost is about 4500 crore in present case and the sale value of this entire property will be in the range of Rs.10,000 crore to 12,000 crore at present value and NBCC will get 10% PMC charges and 2% marketing charges and IRR on investment, so these are the contours of the project.

Rajendra Mishra: Okay and just this current 24,000 crore or including DDA 28,000 crore, is it possible to give a breakup as to how much belongs to PMC segment, how much is EPC and how much is real estate redevelopment in Greenfield?

Anoop Kumar Mittal: Please repeat your question.

Rajendra Mishra: Sir, current order book which is 24,000 plus if you include DDA, so let us say 28,000 crore, would it be possible to give a breakup in terms of our different segments, PMC, EPC, real estate Greenfield and real estate redevelopment?

Anoop Kumar Mittal: Let me correct myself first that marketing charges in DDA project is 1%, PMC charges are 10%, that is one and as far as breakup of Rs.28,000 crore is concerned, so redevelopment will be around Rs.8,000 crore, real estate will be about Rs.2,000, when I am saying real estate 2000 crore, it is the construction cost of real estate, not sale value and about 1000 crore is EPC contract and balance is PMC.

Rajendra Mishra: So PMC would be around 16 to 17,000. Okay and another technical thing that I wanted to understand, sir between PMC and the redevelopment how do you segregate, because both appear to be, I mean, you deploy money to redevelop and sell, so how do you segregate a project between redevelopment and PMC?

Anoop Kumar Mittal: There is a very fine, I mean, line difference in these two segment, the only difference is in redevelopment we get marketing charges also to sell the project, for that we get marketing charges. Then in redevelopment projects we invest money from our side on which we get 18% IRR, whereas in PMC projects clients fund that project. So, we need not invest any money, so we get only PMC charges. So, there are few advantages in redevelopment projects that we can invest our own money which we are keeping in bank on 8 to 9% interest, we will get 18% IRR, that is one advantage. Second advantage is, we get marketing charges also, which is on sale value of the project. Number three, in PMC project we have to, I mean, I will not say bag, we have to ask our client to give money to us whereas in redevelopment projects whatever we sell we deposit that money in our escrow account and we can spend money at our own, so these are the few advantages in redevelopment projects, but ultimately we get __**32:22**__ charges you can say, instead of 10% we get 14, 15% if you include IRR or marketing charges.

Rajendra Mishra: So, basically it means that in the redevelopment project you have more, I mean, you deploy your money, but then you have more flexibility around how you use your cash flows and whereas in PMC project it is completely client driven, but you don't put much money, mostly __**32:46**__.

Anoop Kumar Mittal: Absolutely right, there is one more advantage in redevelopment projects, there is no other agency in the country, not even a single agency who does redevelopment project by investing their own funds and doing all this business, because nobody exists in market who does all these thing, PMC, real estate and have positive cash flow or positive, I mean, all companies are in that, so these are the things, yes.

Rajendra Mishra: And sir, when you say that your target is that real estate in revenue mix will increase from 10% to 25%, from that's the target, so that will mainly be driven by redevelopment and not Greenfield, right?

Anoop Kumar Mittal: Yes, you see initially our target was purely redevelopment increasing from 10 to 25%, but after seeing the scenario and situation in the last I can say 5 to 10 years in real estate market, it is like sine curve, sometimes it is going very up and sometimes there is a huge dip. Now, we thought that we should be very careful and we should focus on redevelopment project.

Rajendra Mishra: Okay, sir one more thing on this, we keep getting reports that this real estate market in NCR or Mumbai, you know, certain areas is completely overheated and might actually time correct or correct over time, so does that throw any limitations in our planning over the next one, two years the way we want to grow?

Anoop Kumar Mittal: Definitely it is hitting NBCC also, but not in the manner other developers are facing the heat, because in commercial segment most of the customers are government departments, like I said earlier that Kidwai Nagar we could manage to sell around 5000 crore inventory in the last one year and similarly our this Okhla property, we sold in the last quarter, but definitely the market is not doing well, it is hitting NBCC also, but not in the same manner as to private developers.

Rajendra Mishra: And how much you sold in Okhla last quarter?

Anoop Kumar Mittal: Last quarter I think we sold around 35 crore in Okhla and 30 crore in Patna. Patna is the real estate residential property. So, you can imagine selling property in Patna, that too residential, it speaks about credibility of NBCC and major customer was one or two oil company in Patna who had purchased residential apartment from NBCC.

Rajendra Mishra: Okay, sir I might have couple of more queries, but I don't know if the moderator will allow me, so if, I mean, I don't know if there is a queue behind me then I will come back later in the queue or I can go ahead, Moderator please advise.

Moderator: Sir, please go ahead, sir.

Rajendra Mishra: So, I can continue?

Moderator: Yeah.

Rajendra Mishra: Okay sir. Sir, and just couple of more queries around, there were some plans of hiring engineers because of the way we are expanding, so can you throw some light on the hiring and headcount?

Anoop Kumar Mittal: Yes, yes every year we are hiring engineers on permanent basis, on contract basis both. So last year if I am not wrong we have had around 200 engineers in both the categories whereas in the past 10 years we have hired say 300 to

350 engineers only and this trend we will continue for the next five years. It may increase from 200 to say 300 or 400.

What's the overall engineer head count in both the categories as of now?

Anoop Kumar Mittal: Total we have 1100 engineers and the total strength of the employees in the company is about 2500.

And engineers in that category if you can share that data?

Anoop Kumar Mittal: Engineers 1100.

In just one category?

Anoop Kumar Mittal: In both the categories contract as well as…put together

Okay. The last question from my side is, since you work with a lot of contractors, could you throw some light on the vendor base of contractor that you work with? How you (not clear) move? Who would you put in the good buckets and who would you put in the bad buckets? I remember one or two you had blacklisted some time back, then you got them back. So can you throw some light on that bandwidth?

Anoop Kumar Mittal: You see we select contractors through a very transparent procedure. We see their past credentials in terms of financials and completed projects all such things. Our experience I can say if you talk about my experience in the last one decade, most of the contractors whosoever is working for NBCC; is doing well here. I don't know about their performance in other organizations because it is not only the quality of the contractor only, it is how you take work from them. You see traditionally NBCC was contractor prior to 2000. So we know the in and outs of this business. So we know how to handle a contractor. Yes, if a contractor is not performing and we are not happy with him, we don't give further work to him. So finally I can say that all the contractors working for NBCC are working well.

So currently anyone on the black list?

Anoop Kumar Mittal: No blacklist.

Thank you sir. Thank you for answering all the queries. It is always a pleasure talking to you and all the best.

Moderator: Thank you sir. We have our next question from Ms. Rita of Edelweiss. Please go ahead.

Ms. Rita: Congratulations on a good set of numbers.

Anoop Kumar Mittal: Thank you.

Ms. Rita: Sir I had a query in the last quarter. Always in the last quarter we see a large jump in the revenues. Say for this quarter, there is a 62% jump in the revenue compared to the last quarter. Last year also in Q4 we saw 46% jump, any reasons for it?

Anoop Kumar Mittal: Traditionally in construction industry the last quarter is always good. There are reasons for that. Most of the clients release all their funds in the last quarter. They exhaust all their funds. They don't give it back to government. So that is a major reason. It is not only with NBCC, with most of the good companies, that is one reason. Second is, the projects which we start in the beginning of the financial year, when they pick up momentum and finally they end up in a good shape in the last quarter that is two. Of course there is pressure on our staff as well as on our vendors to perform best in the last quarter so that everything is so good.

Ms. Rita: Okay. And one more thing, in the PMC business in the last quarter, we have seen a margin of around 9% which has never been achieved in any of the quarters since FY14, so is there some project with very good margin compared to the other ones or what's the reason for it?

Anoop Kumar Mittal: Please repeat your question.

Ms. Rita: In the PMC business, of Q4 of FY15, we have seen a margin of 9.3%...operating margin, which has never been observed in any of the earlier quarters. So which was this project with a higher margin?

Anoop Kumar Mittal: You see in the last quarter or you can say if you started in Q3, our Kidwai Nagar is a project which started giving revenue which is a major project with 10% and some marketing charges. So that is one project which has contributed maximum in this quarter and there may be two or three more projects of similar nature which has a good percentage of fees. So this is the reason.

Ms. Rita: Okay. Sir in the previous quarter you had mentioned that we would be completing the sale of Kidwai Nagar by FY15 right so till now they have completed around 4000 crores of the total 5000 crores, that is about 80% of the total sales. So when would it be expected to complete the entire sale of Kidwai Nagar?

Anoop Kumar Mittal: You see total Kidwai Nagar sale is about 5,500 crore rupees. Out of that we have already sold 5000. Now, the remaining inventory is of 551 crore rupees. We are not very aggressive on that, we may wait for some more time. There are people who are in queue to buy this property and I hope by end of September that also we will try.

Ms. Rita: Okay. One more thing on this…we were supposed to get some approval for the re-development of the Kidoni project. Have we achieved the approval for the same?

Anoop Kumar Mittal: See this Gitorni project which is 248 acre land development with PWD is now linked with Smart City concept. It is a huge land area of 240 acres, rarely available in Delhi developed areas. So now government is thinking to develop this as a Smart City. It may take some more time to get approval of this, but before that we may get approval of three colonies re-development like Kidwai Nagar.

Ms. Rita: Okay. As on March '15 we see 28,000 crores order book and as on today we see an order book of around 24,000 crores whereas in one of the interviews you had mentioned another 15…29 crores including Swatch Bharat and commerce. So which are these additional projects of around 2500 crores project which has been approved from April to May?

Anoop Kumar Mittal: Our order book at the end of financial year was 20,000 crores and in the last two months we got around 3,700-3,800. Out of that one major project is Swatch Bharat toilet construction in Eastern part of the country value if which is about 350 to 400 crores which we had to deliver in six months' time and we are doing that. Then another big order is construction and development of four centers for National Institute of Design, this is two; one project is in Maldives, 200-crore rupees project that is Police Academy. Then there are some projects for Police Forces, BSFITPP etc., etc. So altogether is 3,500 crores

Ms. Rita: Okay. How much is the re-development of the total revenue as well as the order book?

Anoop Kumar Mittal: You see, the re-development projects out of 23,000 is only one project that is Kidwai Nagar that is about 4,000 crore rupees. Remaining 20,000 crores is a PMC, EPC and real estate construction. As I said earlier that 2000 is for construction of real estate property, only construction cost which we have taken, not sale value. If we take sale value in consideration then order book will be much more than this. So we are very conservative while calculating while calculating the order book. DBA project Kalkadruma which is 4500 crores, that also we have (inaudible) this order book of 24000 crore rupees. Out of 20,000 which I was talking, 2000 is real estate construction, 1000 is EPC contract and remaining 17,000 is PMC.

Ms. Rita: Okay. By 2016 how much would this be expected to? Real estate would go to around? The entire order book is expected to go to? Target for FY16?

Anoop Kumar Mittal: What we are expecting is in this financial year we will develop around 15,000 crores order. So 20,000 plus 15 000; 35,000. If we do 6,000 revenue, outstanding order book as on 1st April 2016 should be 30,000 crore rupees. So there will be a net addition of 10,000 crore rupees order in this financial year.

Ms. Rita: Okay and of this how much will be the re-development?

Anoop Kumar Mittal: Re-development should be around 4,000 to 5,000 crore rupees.

Ms. Rita: Okay the four projects which you are doing right now?

Anoop Kumar Mittal: Yes.

Ms. Rita: Okay. Thank you for taking my questions.

Moderator: Thank you ma'am. We have our next question from Mr. Harjeet Motwani of Bharati Axa Life Insurance. Please go ahead.

Harjeet Motwani: Hello? Sir on the PMC order backlog for Kidwai Nagar was about 4000 crores last year right?

Anoop Kumar Mittal: Yes.

Harjeet Motwani: The remaining backlog would be how much?

Anoop Kumar Mittal: Total order book as on date is 24,000 crore rupees and outstanding work in Kidwai Nagar is 4000 crores. Remaining 20,000 crores is from PMC, EPC and real estate.

Harjeet Motwani: No, no I am relating it to PMC part of Kidwai Nagar is 4000 crores left.

Anoop Kumar Mittal: Yes.

Harjeet Motwani: How much was the PMC revenue recognized from Kidwai Nagar this year?

Anoop Kumar Mittal: In financial year '14-'15?

Harjeet Motwani: Yes sir.

Anoop Kumar Mittal: 300 crore rupees.

Harjeet Motwani: So that means this is the construction cost of the project?

Anoop Kumar Mittal: Yes.

Harjeet Motwani: So when the project will be completed 4000 crores of revenues of PMC will be recorded in the revenues right?

Anoop Kumar Mittal: Yes.

Harjeet Motwani: Okay. Where do you book this 300 crores? Do you book this in PMC…or?

Anoop Kumar Mittal: PMC.

Harjeet Motwani: And the marketing margins on this? That is also booked in PMC? That is not booked in real estate?

Anoop Kumar Mittal: No. Our agency charges all are booked in PMC only.

Harjeet Motwani: Did you invest in equity in this project like the way re-development equity in Kidwai Nagar?

Anoop Kumar Mittal: Yes we initially invested around 100 crore rupees as equity. Once we started selling this property and collecting the money, we have taken back our money with 18% IRR.

Harjeet Motwani: Okay. So the margin is booked in PMC. The IRR where do you book this? This is booked as revenue or as other income?

Anoop Kumar Mittal: IRR we book in other income.

Harjeet Motwani: Okay. So similarly for Karkadooma project 5000 crores is the construction cost and you will get 10% margin on that which is 500 crores?

Anoop Kumar Mittal: Yes.

Harjeet Motwani: And 1% on the 10,000 crores which is the real estate value?

Anoop Kumar Mittal: Yes.

Harjeet Motwani: So this 1% commission when do you book when you sell the property or is it on the end of construction? The timing of this, how does it occur?

Anoop Kumar Mittal: 1% we book along with the money we collect from the buyers. Suppose we sell 10,000 crore property say after six months, and initial deposit we get say 1000 crore rupees from the investors or purchasers, so we will book 1% on 1000 crore rupees. The remaining 9000 crores will be construction linked program spread over 3 to 3-1/2 years. So as and when they will give their remaining money, we will charge 1%. So finally before giving possession we will collect all our 100 crore rupees from the DDA or the project.

Harjeet Motwani: Okay. Finally these 3 to 4 colonies which we were saying, one is Netaji Nagar…

Anoop Kumar Mittal: You see there are three colonies, Netaji Nagar, Kidwai Nagar and Kasturbhai Nagar. Now all these three colonies, proposal has gone to cabinet for…

Harjeet Motwani: Which one is the third one? Kidwai?

Anoop Kumar Mittal: One is Netaji Nagar, Kasturbhai Nagar and Thyagaraja Nagar.

Harjeet Motwani: Okay. It will be on the same model as Kidwai Nagar?

Anoop Kumar Mittal: Yes.

Harjeet Motwani: Cumulatively the value you are saying is?

Anoop Kumar Mittal: About 15,000 crores at present rate.

Harjeet Motwani: This is the market value?

Anoop Kumar Mittal: Market value – the construction cost.

Harjeet Motwani: Oh the construction cost. That means together if you get it you would potentially be able to do another 1400 crores revenue of construction, 10% on this 14,000 crores?

Anoop Kumar Mittal: Yes.

Harjeet Motwani: Thanks a lot sir.

Moderator: Thank you sir. We have our next question from Mr. Naveen Jayanth of JM Financial. Please go ahead.

Naveen Jayanth: Good afternoon sir thanks for the opportunity. Sir just wanted to understand, for this Kidwai Nagar project the peak investment that was required from our side was 100 crores right?

Anoop Kumar Mittal: Yes.

That money also we have got back?

Anoop Kumar Mittal: Yes.

So further from our pocket there is no investment at this point of time because you will collect money from the buyers and you will be building it for them?

Anoop Kumar Mittal: Yes. We have already sold 5000 crore property there. We have already collected around 1500 crore rupees from the buyers as their initial deposit or construction linked deposit. That money is lying with us for the construction of the project. So now we need not spend any money from our side.

Got it. That means for our future re-development projects, typically a project of 5000 crores would need about 100 crores of equity investment. Is that a right understanding or it will really vary significantly from project to project.

Anoop Kumar Mittal: You see as per the agreement or MOU, we have to invest about 5% to 10% amount as initial investment or seed money in the project. That is the upper limit. 5% of the construction cost. Say 5000 crore project means 250 crore rupees. But once we start getting money from the purchaser of the property, we need not invest any money there. So in all the cases, all probabilities, NBCC is not required to invest much money on the construction side. Initial 100 crores which NBCC has invested was because of some preparatory work before start of selling the property. So I hope that in all future projects also this investment will not be more than 100 to 200 crore rupees, number one, and this will not be blocked for more than 3 to 4 months time.

Sir, in that backdrop, given the balance sheet that we have which is fairly strong, the fund raise that we are planning, is it that you are targeting a really huge amount of re-development work that we need that kind of funding? Really the requirement does not seem very high.

Anoop Kumar Mittal: See if we undertake 40,000 crores re-development projects which is not a very big amount, it may constitute four or five projects only. 40,000 crores, 5% becomes 2,000 crores investment. So it will be a cycle of rotation. This is for immediate requirement, the projects which are in pipeline like three colonies, Kalkaduma, DDA, Rajasthan, Orissa. There are few more projects like (not clear), Air India. So we thought we should raise 1000 crore rupees and there is no harm in raising the money. I don't know why people are taking it negative because if we get 1000 crore rupees, we are not going to throw it out to some real estate or some venture. If it is not required, we will keep it in FD or bank and we will earn some money. But once we have some money with us, our customers will have some faith because all other public sectors, all other companies are in huge debt particularly in construction side. Once we have a debt free company, we have surpluses, and for the 1000 crore rupees with us, there is huge huge opportunity.

Sure sir, got it. Sir for one of the question you made the comment that one of the advantages of re-development per se is that there is no competition is there, we are the only players. So for the other PMC project that we get from other central government agencies, who are the competitors in those projects, other such PMC projects? Let's say the hospital that you are developing or any such projects?

Anoop Kumar Mittal: See there are six, seven other PMC companies under government of India who are in the business of construction like EPI, National Project Construction Corporation. I will name companies which you have never heard; Hindustan Prefab ltd., Hindustan Steel Structure, Vapcos, there are companies like that whose turnover is 500 crores, 300 crores, they are struggling for survival, they are in debt or in red all these companies. They are also taking some work say 50 crores, 100 crores, 40 crores rupees. We can say that they are our competitors. There is another organization which is not a company – CPWD who does PMC for government of India. But none of these companies are in real estate business. None of these companies have surplus cash with them to invest in real estate or re-development project. That's why I said there is no competition of NBCC particularly in unique model of re-development.

Got it. Finally for this re-development project, the entire marketing effort is put from our side right?

Anoop Kumar Mittal: Right.

So do we use any….so how do we brand these projects sir? Individual projects are branded under the broader NBCC umbrella sir?

Anoop Kumar Mittal: Yes. You see, simple example is, we have our own marketing team and this is NBCC Brand now I can say after 4 years of in this business of re-development and real estate very actively because the simple example is, DDA – Delhi Development Authority is the authority in Delhi who is responsible to provide houses to all and commercial and they are the owner of most of the land in Delhi, like MAHADA in Bombay. Finally they have come to NBCC to market their project, construct their project and manage their project. So that itself speaks about branding of NBCC.

I'lll just ask you one more question, just a number. What is the revenue one can expect in FY16?

Anoop Kumar Mittal: See FY16 our target is….I should not tell you, but still since you have asked me, our target is about 500 crore rupees investment in construction of the project the land which we possess and about 600 to 700 crore rupees sale of the property. Of course we have much more property but conservatively we have kept a target of 600 to 700 crore rupees.

And will we be also buying some land?

Anoop Kumar Mittal: Yes, definitely we will buy some land but very, very cautiously; last year we have bought only 122 crore rupees property. Similarly, this year also, we will not be very aggressive, we will see the market, but definitely we will not lose any opportunity of property which is viable and saleable.

Got it sure sir, thanks a lot.

Moderator: Thank you sir. We have our next question from Mr. Pankaj Kumar of Kotak Securities. Please go ahead.

Pankaj Kumar: ,Most of my questions are answered. Just want to check, this DDA project, when we are expecting to commence execution?

Anoop Kumar Mittal: Practically we have started selection of architecture companies. We have already advertised this one month back. Before taking your call I was meeting with VC DDA and senior officers. I hope by the end of this calendar year or maximum end of this financial year the work will start.

Pankaj Kumar: Sir what restricts us from including this in our order book?

Anoop Kumar Mittal: Nothing. Only thing is the focus of generating further more business on my team will reduce because they will presume that we are already 30,000 crores order book; so that's why we have not included this in our order book. Just disclosing this to you otherwise, internally this is in our order book.

Pankaj Kumar: Okay and sir this Rajasthan re-development project, we had set up one SPV, so what is the status of order inflows around that?

Anoop Kumar Mittal: Probably today our Director has signed the agreement with Rajasthan government and all the formalities over. They have already given us two, three projects, identified. Very soon we will start and I hope particularly in states, procedural time is much lesser than which we take in Delhi and Bombay; so I can expect some revenue booking in the third quarter to maximum fourth quarter of this financial year.

Pankaj Kumar: What is the size of this project, the three projects which we have identified?

Anoop Kumar Mittal: Approximate value is 1000 crore rupees but the opportunity is huge. If you talk to me after one month, or in the next concall after the first quarter result is published then I will let you know a lot of things.

Pankaj Kumar: Okay and any development in the Orissa thing?

Anoop Kumar Mittal: Orissa side also they have given two projects or rather third project also they have given. We have already started selection of architecture Company there. Practically we have started doing the work but revenue booking definitely we will start as I said third quarter or fourth quarter.

Pankaj Kumar: What is the size of the order in Orissa?

Anoop Kumar Mittal: Size of the order is huge, I am afraid to tell you the number, it is huge. Two land parcels of 160 acres in Bhubaneswar, heart of city. Only thing is we have to assess the market of salability there because Bhubaneswar is not like Kidwai Nagar so that's why I am not giving you number but the opportunity is huge.

Pankaj Kumar: It may take a long time?

Anoop Kumar Mittal: No, it will start but our revenue booking how much will it start in this financial year and future, it all depends.

Pankaj Kumar: Okay thank you so much.

Moderator: Thank you sir. We have our next question from Mr. Mayur of Wealth Management. Please go ahead.

Mayur: Good afternoon sir and thank you for taking my question. I had a question from re-development itself. This re-development segment will cater entirely to residential segment right?

Anoop Kumar Mittal: Not exactly, residential as well as commercial. In Kidwai Nagar itself, the revenue generation is from commercial side only. 5000 crores which we have collected is majorly from commercial side.

Mayur: Now sir when you talk of re-development, the basic rationale has to be the current land utilized vis-à-vis the potential utilization ratio would be significantly large and hence there is money to be made on the table for the contractor as well as the owner of that land; that's how the commercial re-development would work out. In our case what would be the rationale for the re-development projects which goes on? That is first and the second is, will the issues of utilization of SSIs and TDR and the cost of all that, will that also come into play in these projects?

Anoop Kumar Mittal: You see all these re-development projects in this property exist are on a very lesser side of FIR, it is about 0.4 or 0.3 built in 1940 or 1950 Now FIR has changed number one, has increased many fold. Number two, in most of the state in Delhi there is a special provision for re-development FIR which is….particularly in Delhi I can say, 50% more FIR government allows for re-development of projects. Finally it gives you six to seven times more built up area, that is one.

Mayur: So you can go to 1.5 you mean to say?

Anoop Kumar Mittal: No, for example, Kidwai Nagar, FAR in that particular area allowed is 2, and for re-development 50% more, means 3. So you can understand what kind of incentive government is giving for re-development projects, so that is one. So once you are getting 6 to 7 fold built up area, your construction cost is also increasing, your PMC charge is also increasing and your saleable value is also increasing, your marketing charge is also increasing. So in all cases NBCC as a business, it is a very good model.

Mayur: Sir but when we want to go till this 2 times or 3 times, will we have to buy the floor space from external market which is percentage of land cost or is it available to us as a part of re-development?

Anoop Kumar Mittal: First of all, this all is available to us because all these properties belong to the government. So this facility is for government projects, where 50% FAR enhancement in re-development. I have not encountered any case where we have to deposit money for purchasing extra FAR. In case it will happen in any project, tht will also pass through, it will go to government. So NBCC will not have any negative impact on their revenue as well as profitability rather it may increase the profitability.

Mayur: Since we are getting to keep 18% IRR, the risk is also on us, as far as the project is concerned, the fact that we are getting the marketing margins also, what I am trying to understand is what will happen in case let's say 10% inventory is unsold? Who will bear the risk of that unsold property, unsold inventory and till how long can we carry that risk? Is there an agreement to that extent that after 30 months of the construction period what happens to that inventory unsold?

Anoop Kumar Mittal: There is a clause in the agreement that in case inventory is not sold or in case the project is financially not viable or commercially not viable NBCC will be reimbursed with all their charges spent on that project, that is one part. But this case will never happen because NBCC is investing only maximum of 5% of the construction cost. Say 5000 crores to 50 crore rupees is NBCC investment. If we sell 50% of the property or 20% of the property immediately we will recover our investment that is one part, so there is no risk of our investment. Now, second question will come whether this project will be completed or not unless we sell the property. In all these projects when we prepare the BPR, there is always the component of surplus money available at the end of the project which is to the tune of 20% to 25%. So in all probability there is no risk to NBCC, no risk to project, no risk to client.

Mayur: Okay. It sounds like a dream world to have no risk situation in construction point. Wish you all the best and look forward to understanding more sir.

Moderator: Thank you sir. We have our next question from Mr. Siddharth of Suyash Advisors, please go ahead.

Siddhartah: Hello? Sir I just wanted to know your customer mix for your Kidwai Nagar project, if you could sort of give us an understanding of what is the mix between government entities and private entities in your whole project.

Anoop Kumar Mittal: You see Kidwai Nagar project was meant for government departments and PSUs only. So this property we are not supposed to sell to private persons, number one. So out of 5000 crores collection, I can say 70% is from PSUs, Public Sector Companies and 10% from the State government which they have taken for their residence commissioner's office because every state has its office in Delhi, like Maharashtra, UP Sadhan, Maharashtra Sadhan etc.for their offices and 20% pure government of India departments. But entire property has been sold to government entities only.

Siddhartah: Sir going ahead in your other re-development projects, I believe that private participation will also be encouraged if I am not mistaken? Is that the case for the four re-development property that are coming up?

Anoop Kumar Mittal: You see in future the projects like the three more colonies which we have proposed there is a provision to sell the properties to private entities also.

Siddhartah: Is there a limit on how much can be sold to private entities?

Anoop Kumar Mittal: There is no such limit but definitely we will work out some mechanism how much we have to keep for government entities and how much balance we can offer to private entity.

Siddhartah: Okay. Thank you sir. Thank you for answering my questions.

Moderator: Thank you sir, due to time constraint, I hand over the floor to Dr. Mittal for his closing comments, over to you sir.

Anoop Kumar Mittal: Thank you very much all the investors of NBCC. I think I tried to answer all of your questions. In case some of the participants are still in queue, we can hold this conversation next time. In any case I am visiting Bombay to meet all my investors on Monday and Tuesday and I hope all of you will be there and we will have more interaction on that day.

Moderator: Thank you 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 pleasant evening.

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