



A Navratna CPSE

“NBCC Q2 FY16 Earnings Conference Call”

Transcript

Conference Call of NBCC Limited

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Presentation Session

Moderator: Good afternoon ladies and gentlemen. I am Maria, moderator for this conference call. Welcome to the NBCC Limited Q2 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 Maria. On behalf of IDBI Capital, I welcome you all to the Q2 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 and Mr. Yogesh Nitish Sharma, Chief General Manager, Engineering. I would now handover the call to Dr. Mittal for his opening remarks; over to you sir.

Anoop Kumar Mittal: Hello. Good afternoon friends and wish you a happy Diwali to everyone. This quarter as I said top line we have registered a turnover of 1126.22 crores against 910.94 crores last year. If you talk about half yearly turnover, this year we have raised at 2275 crores against last year's 1773 crores which is almost 28.62% increase year to year. Similarly, PAT has also increased quarter to quarter 12.56 crores, and half yearly 19.3 crores. Of course it is not mentioned here, but our outstanding order book as on date is about 30,000 crore rupees which is at BDA work which we had secured two quarters ago. If you include that also, our outstanding order becomes 40,000 crore rupees. These are the few things which I wanted to tell you, rest the floor 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.

Our first question comes from Mr. Sanjay Shah of KSA Securities. Please go ahead sir.

Sanjay Shah: Good evening sir. Congratulations Doctor for good numbers. My question was regarding...you have grown a very decent top line in real estate business, as well as reasonably well in PMC, but our margins seem under pressure. Can you throw some light on that sir?

Anoop Kumar Mittal: You see quarter to quarter, I never accept that this is the right way of analyzing the results of an infrastructure company. The right way is to analyze the annual results of the company. But if you analyze your year to year half yearly result, you can see 19.6% is bottom line growth and whereas the top line is 28.32 crores. There are two things which we cannot rationalize while booking the expenditure on monthly basis or quarterly basis. It can happen only if once you are closing your balance sheet annually. So these are the reasons....that's why you are seeing some pressure on profits side. Otherwise there are no reasons, when you are increasing the turnover, automatically your profits will increase because your overheads and fixed cost is constant or maybe more but it is not increasing in the same ratio as your turnover is increasing.

Sanjay Shah: That's true sir but what we have seen from real estate that there is a growth of around 31%, 32% year on year. Even quarter on quarter there is a growth. But margins have fallen from 33% to 28%, so I was a bit worried, so I thought I should try to clarify that. But if there is regular business, I can understand. So can you tell us some detail about the real estate sale, what have we done in real estate that our turnover has gone up, was there sale if Kidwai Nagar or any other....Kasturba Nagar and all?

Anoop Kumar Mittal: You see Kidwai Nagar, we are not considering as our real estate business. The sale of Kidwai Nagar is going to PMC side and whatever money we are earning that is going to government. Real estate is only the project where we are investing money of our own, which is as developer we are doing. So some of the properties we have sold in Okla which is a commercial complex and some flats in Bhubaneswar and Patna and a few other projects. Sale and profit has come from both projects only.

Sanjay Shah: So now in Okla we had 2.3 lakh square feet right? Out of that how much have we sold till now?

Anoop Kumar Mittal: More than 50% we have already sold. Rather I can say except one or half floor office area everything is sold. Now, we are left with two or three floors of retail shopping complex which we are likely to convert into office complex because most of our customers and clients are government department and PSUs. So some banks and insurance companies are interested to buy the ground floor and first floor. We may convert those floors to office area and they will purchase. So I am hopeful by the end of this financial year, another 50,000 square feet area will be sold.

Sanjay Shah: Sir we have received some orders from AIIMS that is All India Institute of Medical Sciences can you throw some light as to what type of work development contracts are there and what price is that?

Anoop Kumar Mittal: You see we are in discussion with the All India Institute of Medical Sciences for quite a long time, say two or three months. They have two kinds of projects; one is project management consultancy, in project management consultancy they want to construct a Trauma Center which is additional AIIMS phase II you can call because it is a huge project. The estimated cost is 1400 to 1500 crores. It may go upto 2000 crore rupees. For that in principle they have engaged NBCC and other formalities they are getting approved from government and by end of December I think that will also improve. That is one part. Second is, they also have vacant land or under developed property like Kidwai Nagar. They want to get it re-developed

through NBCC. For that also we had two or three rounds of discussion, and that is also very near to approval or closing down the deal. That also by end of March will be through.

Sanjay Shah: Oh great. Sir right now how is the traction in real estate business because overall there is some slug in the market, market is a bit slow. Are we facing the same or we don't see any ...?

Anoop Kumar Mittal: We are also facing similar kind of problem but definitely not that kind of....intensity is not like what the private developers are facing because they have reasons to face that. They don't have money to complete the project. Their projects are hanging, they are not moving over to completion whereas NBCC does not have that kind of problem. Otherwise the entire market is under pressure.

Sanjay Shah: Sir how about any progress into our foray into new business venture that is e-commerce?

Anoop Kumar Mittal: See we have done all the formalities, but there are two, three more issues. We want to connect this e-commerce business model or portal with some government department. I will not be able to disclose that, in case that is agreed by government, this portal will be a huge success. So we are waiting for the government nod or approval on that. Then only we will launch this portal.

Sanjay Shah: Did we send our plan to the government department?

Anoop Kumar Mittal: Yes, we have already discussed. Several meetings have already been held, so now we are waiting for their approval so it will take two or three more months.

Sanjay Shah: Any development in our subsidiary? 70% with Sultanate of Oman, is there any development business going on?

Anoop Kumar Mittal: You see we are participating in a few centers in Oman. Last month also we have participated in two centers. Regularly we are participating. The job is not something like that whatever we feel we will get it, but definitely one or two projects we will get in this financial year.

Sanjay Shah: How optimistic we are about that project?

Anoop Kumar Mittal: At least two projects we will get in this financial year.

Sanjay Shah: How optimistic are we about the business with Oman government? Is there a potential over there?

Anoop Kumar Mittal: Definitely there is a huge potential. But you see there are other issues, like everybody knows that crude prices have gone down substantially; so total economy and infrastructure development of gulf countries had slowed down to the extent of 50%. So all these factors sometimes....kill your ambition and target whatever you feel is not happening. So these are the things but still we are hopeful.

Sanjay Shah: Yeah, I appreciate your reply and the last question is regarding PMC business, how the traction is, are we getting new orders or enquiries?

Anoop Kumar Mittal: A lot of orders, no doubt about it. Government, public sectors, insurance companies, banks everywhere. In PMC business, orders are flowing like anything.

Sanjay Shah: Oh great, that is good. Thanks sir, thanks for replying to my questions and good luck to you sir and Happy Diwali sir.

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. Our next question is from Neeraj Parag of ASK Securities. Please go ahead.

Neeraj Parag: I just wanted to understand two things. One is our capital employed in real estate business has gone up significantly. It has gone up from 895 crores last year to 1245 this quarter. I just wanted to get your thoughts on the same?

Anoop Kumar Mittal: Because we have purchased through rent also from local governments, one is from Chhattisgarh and the other is some other government. So low cost SIR property we have purchased, that's why this cost has increased.

Neeraj Parag: So much money have we invested in the last six months in purchasing land deals.

Anoop Kumar Mittal: 150 crore rupees approximately.

Neeraj Parag: Okay so that must be the reason for the increase in capital employed in the last six months?

Anoop Kumar Mittal: You see of course the real estate market is not doing well, but otherwise this is the right time to purchase to increase your land bank at present, low cost SIR is available, everybody is under pressure whether development authorities or housing board or whoever is selling the property. So we are eyeing on low-value SIR properties that are why we have purchased these two properties.

Neeraj Parag: So what's our thought process on the same, over the next 1 year, 1-1/2, to 2 years what kind of investment would we make in land?

Anoop Kumar Mittal: You see there is no such target and we are really not keen to invest money in real estate right now. We are focusing on completing the existing land parcels and selling the inventory. But in case we get some opportunity as I said, in case we get low-cost SIR, we will definitely try to take that but not huge amounts within that.

Neeraj Parag: And sir secondly in our PMC business, our EBIT actually has gone down in this quarter versus what it was in the last quarter, from 71 crores to about 68-1/2 crores in spite of increase in revenue, so effectively margins have declined, so I just wanted....

Anoop Kumar Mittal: As I said earlier, it is not possible to rationalize our expenditure and cost on a monthly basis and we are doing three types of business, real estate, if you see re-development, PMC and projects are in different space. It happens sometimes that bookings are not proper. Proper way to analyze the results is once we declare the annual results. So don't worry, it is not a matter of worry to see that margins are not that good.

Neeraj Parag: Is it fair to assume that on an annual basis our PMC margins will raise?

Anoop Kumar Mittal: Our PMC margins are still rising. But there are a number of issues. We have 2500 employees. These employees are distributed in different segments. Some of the employees are working on all the three segments. Like management is working for the entire company. Similarly our investments, bank deposits, so many things are there. So it is very difficult to distribute and rationalize on quarterly basis. It can be possible once you are closing your accounts. So margins are increasing because your turnover has increased by 30% or 40%. Margins will automatically increase. Another reason is, government was not able to

release funds on time that's why some deposits are also less and we could not get interest part in our PMC business. These are two reasons but I can assure you there is no worry on this part.

Neeraj Parag: Okay and our overall revenue growth target of roughly 25%, 30% for the next two years remains intact?

Anoop Kumar Mittal: Yes, this we are maintaining also since last 6, 7 quarter cycle.

Neeraj Parag: And sir the last question. Has there been some reclassification in segment account?

Anoop Kumar Mittal: No.

Neeraj Parag: Okay thank you sir that's it. Thank you, sir.

Anoop Kumar Mittal: Thank you sir. Our next question is from Rita Tahliramani of Edelweiss. Please go ahead ma'am.

Rita Tahliramani: Hello? Congratulations on a good set of numbers. I actually wanted to know the break up between, residential and institutions....segmental breakup in the PMC business.

Anoop Kumar Mittal: Residential and the institutional and commercial breakup?

Rita Tahliramani: Infrastructure residential and institutional, you normally give the break up; commercial and hospitals.

Anoop Kumar Mittal: You see we normally give the breakup of our PMC business which is about 75% to 80%, real estate 15% and infrastructure or EPC, 5%. If you talk about breakup of 80% of PMC into residential, commercial, institutional, infrastructure, right now I don't have that kind of figure with me. But it is not affecting me or my balance sheet or my business because I am getting certain amount of fee from my client on PMC job. So it is not a matter of.....it can be matter of research or academic interest of you, but as a business sense we don't need that and right now I don't have that.

Rita Tahliramani: Okay and the working capital has increased....what is the reason for this? (Inaudible)

Anoop Kumar Mittal: Please repeat your question.

Rita Tahliramani: Working capital has increased so can you throw some light on it?

Anoop Kumar Mittal: In what manner....you are saying?

Rita Tahliramani: Working capital in days.

Management: Because the turnover increased and in the same proportion debtors also increased.

Anoop Kumar Mittal: You see when you are increasing turnover, when you are increasing top line; it is not automatically you will get it released from your client. So your debtor time will also increase it may increase by 5 days or 10 days, but it is directly related to turnover which we are increasing. Suppose you are doing, 70% turnover in the last month of the quarter, that is affecting your working capital time period.

Rita Tahliramani: Okay. And how much land bank you have currently?

- Anoop Kumar Mittal:** 178 acres.
- Rita Tahilramani:** What is the value of this?
- Anoop Kumar Mittal:** I have not got it but I can tell you, the book value of this which is about 600 crore rupees.
- Rita Tahilramani:** (Inaudible)
- Anoop Kumar Mittal:** You see in this financial year I am accepting at least 10,000 to 15,000 crore rupees order. So
- Rita Tahilramani:** This is excluding the (inaudible)...
- Anoop Kumar Mittal:** This is including everything. Excluding DDA
- Rita Tahilramani:** Thank you.
- Moderator:** Thank you ma'am. Our next question is from Mr. Akshay Agarwal of Reliance Security. Please go ahead.
- Akshay Agarwal:** Hello? Yes sir thanks for the opportunity. How much of revenue did we book from Kidwai Nagar this year sir so far?
- Anoop Kumar Mittal:** I think in the last six months we had booked around 330 crores.
- Akshay Agarwal:** So in quarter two we effectively booked around 120 crores because I remember in the previous quarter you said 200 odd crores right?
- Anoop Kumar Mittal:** Yes.
- Akshay Agarwal:** Okay I just wanted to see the development of these three colonies that you were about to get some concrete development from this, because we are already in negotiation with the government and you said by November, December we will have substantial development for these three projects. So can you give me an update on that one?
- Anoop Kumar Mittal:** You see initially the government's plan was to give three colonies to NBCC to redevelop and three colonies to CPWD. And we were working on that. Now government wants to develop seven colonies, instead of six colonies, seven colonies together, that is one part. They want to do the master planning of all the seven colonies together at once with the help of NBCC. That is part 2. After that they will distribute three colonies to CPWD and four colonies to NBCC. So this much government has done, they have already finalized and closed. Now, on the basis of this report, they are forming the cabinet note for Government of India approval which they are likely to send by end of December.
- Akshay Agarwal:** Okay. So these four colonies that NBCC is likely to get is basically Nethaji Nagar, Thyagaraj Nagar, Kasturba Nagar, and Vasant (not clear).
- Anoop Kumar Mittal:** No, no, you are confusing. (Not clear) is different thing that is different thing. So there are seven colonies, just note down, Nauroji Nagar, Netaji Nagar, Sarojini Nagar, Thyagraj Nagar, Kasturba Nagar, Srinivaspuri, Mohammedpur. So these seven colonies are together, they are next to each other. There is a cluster of say, it is about 600 acre land in all seven colonies. So instead of redeveloping independent colonies, now government is saying you develop seven colonies together and they will divide, they have already decided to divide the work, four colonies to NBCC and three to CPWD. But the Government of India approval, that is

called technical approval from Finance Ministry and Cabinet, it has still not happened. It will happen by end of this March.

Akshay Agarwal: Okay. So if you can guide me sir in terms of order contract amount from this whole project that you are likely to get.

Anoop Kumar Mittal: Approximately Rs.20,000 crore for NBCC. You should be happy that your company is registering turnover gross growth without these colonies projects, this will add to additional turnover as well as top line, bottom line, inspite of not getting these colonies approved, we are able to increase our turnover by 25%, which we will maintain by end of this financial year also. Once these colonies are approved, say March 2016, actual work will start third quarter of '16-'17. After that your company's turnover will increase substantially.

Akshay Agarwal: So, let's say that by December end you conclude the project, let's say that we get these three, four projects, so much time does it take normally to start the project after getting the contract...

Anoop Kumar Mittal: This is what I am saying, my timeline, my expectation is March '16 government will give approval to NBCC. December '16 we will be in a position to start the work. It will take five years after that to complete the project.

Akshay Agarwal: Got it, got it sir. And my last question sir, is there any development so far in...

Anoop Kumar Mittal: So for your easiness for five years Rs.20000 crore, Rs.4000 crore worth every year after say '17 March.

Akshay Agarwal: Got it sir, got it. And sir is there any development on our JV with Rajasthan government and any, we are also pursuing the (not clear) government, is there any development on that front?

Anoop Kumar Mittal: Very soon we will come up with one project, which is almost in approval stage, everything is done. Design, approvals, everything and we are likely to announce that project in December; we may start actual work in the month of January, February.

Akshay Agarwal: This is for Rajasthan?

Anoop Kumar Mittal: Rajasthan redevelopment.

Akshay Agarwal: Okay, and any development on Bhubaneswar, sir?

Anoop Kumar Mittal: That is also going on. Sir, we are handling 400 projects in India and out of 400 projects there are 40, 50 redevelopment projects, Delhi, Bhubaneswar, Delhi, Bombay, Kolkata, including all places.

Akshay Agarwal: Thanks sir, thanks a lot.

Anoop Kumar Mittal: Thank you.

Moderator: Thank you sir. Our next question is from Mr. Sagar Parekh of Deep Financial Consultants. Please go ahead.

Sagar Parekh: Yeah, hello sir, and thanks for taking my question. So my question is on the margins. If we take on annual figure, what kind of margins do you think are sustainable going forward on a full year basis, for all three segments separately? Let's say, for example, in

PMC for half year your margins are at 7.6% at EBIT level, so what do you think will be the sustainable margin in that segment?

Anoop Kumar Mittal: On annual basis, the margins will be in the range of 6% to 6.5%.

Sagar Parekh: That is for the full company as a whole.

Anoop Kumar Mittal: Company as a whole. And we should compare...sorry?

Sagar Parekh: At EBITDA level, right, including other income.

Anoop Kumar Mittal: It is PAT.

Sagar Parekh: Okay PAT, and at EBITDA?

Anoop Kumar Mittal: EBITDA I have not calculated, but see there is a confusion calculating EBITDA margin in NBCC where other income also, interest part also from our deposits, but PAT I am sure 6% to 6.5%.

Sagar Parekh: Okay. And sir in this quarter there was some; other income was lower, right? What was the reason for the same?

Anoop Kumar Mittal: In comparison to last year?

Sagar Parekh: Yeah in comparison to last year.

Anoop Kumar Mittal: Yeah, again, it is very difficult to maintain and to calculate quarterly things in few segments like other income, interest part, distribution of that into three segments, that is why sometimes it looks it is balanced, but overall percentage of PAT will be 6% to 6.5% as a company by end of financial year.

Sagar Parekh: Okay. And then going forward do you think we can improve PAT margins as your top line turnover increases?

Anoop Kumar Mittal: Yes, no doubt.

Sagar Parekh: Till what level can it go up to? 7-1/2%-8%?

Anoop Kumar Mittal: Yes, it can go up to 7-1/2% in two years' time.

Sagar Parekh: Okay. And what would be the key drivers for this margin improvement?

Anoop Kumar Mittal: Redevelopment projects, large value redevelopment projects basically.

Sagar Parekh: Okay. So this 4000 crore per year that we spoke about right now, that four colonies...those are at better margins.

Anoop Kumar Mittal: That is my estimate, it is not I am committing that we will do that. That is just to give him comfort I calculated Rs.4000 crore.

Sagar Parekh: Yeah, yeah, what I am trying to say is that four colonies when we get those orders, basically those will be at better margins than your current order book.

Anoop Kumar Mittal: Yes, definitely. Moreover you see, when you will do Rs.1000 crore turnover on single project, your overheads are very less.

Sagar Parekh: Got it, got it. And sir these four colonies that we spoke about, that would be booked in the PMC revenues, right? Or

Anoop Kumar Mittal: PMC revenues.

Sagar Parekh: Okay. And what would be your total inflow, order inflow for H1?

Anoop Kumar Mittal: See total order inflow, at present my order book is about Rs.30000 crores and I feel that by the end of this financial year, this should be in the range of Rs.40000 crores.

Sagar Parekh: Right. You mentioned that your expectation for inflow for the year is Rs.10500 to Rs.15000 crores, so out of that how much have we already booked in H1 that is what...

Anoop Kumar Mittal: I think this should be around Rs.5000 crores till now, more than Rs.5000 crores.

Sagar Parekh: Okay, so Rs.6000 to Rs.10000 crores will be inflow for H2.

Anoop Kumar Mittal: Yes.

Sagar Parekh: Okay, okay. Got it sir. Thank you and all the best and wish everyone Happy Diwali.

Anoop Kumar Mittal: Thank you, same to you.

Moderator: Thank you sir. Our next question is from Mr. Jagdish Bhanushalli of Florintry ADV. Please go ahead.

Jagdish Bhanushalli: Yeah hi. I just missed, I wanted to confirm the order book, which is Rs.30000, and could I get a breakup of that order book?

Anoop Kumar Mittal: Break up of order book is out of Rs.30000 crores, real estate order is about Rs.1500 crores, EPC contract is again Rs.1000 crores, outstanding redevelopment order book is about Rs.3500 crores and rest is PMC order book.

Jagdeesh Banu Shalli: Okay, okay and do we maintain a guidance of 6000 crores, is it possible at the run rate at what we have done in H1 and the present?

Anoop Kumar Mittal: Yes, yes, 100 %.

Jagdeesh Banu Shalli: Or do we see looking exceeding this guidance?

Anoop Kumar Mittal: No, exceeding 6000 is little difficult, but definitely 6000.

Jagdeesh Banu Shalli: Okay, 6000 is possible and how about the margins at the place, because we are looking at the EBITDA margins have contoured a bit, so wanted to understand what sort of margins do we expect for the year as a whole?

Anoop Kumar Mittal: Between 6 to 6.5%.

Jagdeesh Banu Shalli: Okay, alright, thanks.

Moderator: Thank you, sir. Our next question is from Mr. Rajendra Mishra of IDFC, please go ahead.

Rajendra Mishra: Good afternoon, sir.

Anoop Kumar Mittal: Yes.

Rajendra Mishra: Hello?

Anoop Kumar Mittal: Please go ahead.

Rajendra Mishra: Yeah, good afternoon, sir. Congratulations for a very strong execution. Sir, just wanted to check on that order book numbers as you said, you said this excludes redevelopment colonies also, right? So it excludes those 20,000 crores because that will come later?

Anoop Kumar Mittal: Yes, correct.

Rajendra Mishra: Yeah, so without that we should be able to reach 40,000?

Anoop Kumar Mittal: Very correct.

Rajendra Mishra: And I missed out on the PMC initial time of con call, you said you are getting very strong orders from government departments, AMC companies and all that, so would you like to throw some more light on that?

Anoop Kumar Mittal: You see all the government departments, public sector companies, if I say, wherever there is a need for any PSU in infrastructure they are looking for NBCC only. This trend started in last I can say 9 or 10 months time, so 80% projects are coming to NBCC or being offered to NBCC. So, order book in PMC vertical is very, very large and very encouraging.

Rajendra Mishra: And these you are talking specifically about central government departments and PSUs or you are talking in general.....?

Anoop Kumar Mittal: You see, generally we do work for central government bodies, PSUs and only 15% to 20% business is coming from state government. So, what I am talking is from central government side.

Rajendra Mishra: Okay, so 15% to 20% is coming from state government also?

Anoop Kumar Mittal: State government.

Rajendra Mishra: Okay and on this Rajasthan order which you just now....last couple of questions you answered that very soon you will announce a redevelopment project from Rajasthan government, so can we expect in this quarter or quarter 4?

Anoop Kumar Mittal: See, the declaration will be done probably by end of December, end of this quarter, third quarter, but revenue booking will start in 4th quarter, maybe February or March.

Rajendra Mishra: Correct and what could be the size of this project?

Anoop Kumar Mittal: Very frankly I think this should be between 200 to 500 crores rupees.

Rajendra Mishra: Okay. Sir, on the income a couple of quarters earlier you had spoken about this opportunity in smart cities and all that, so has that, any traction from there or it is still....?

Anoop Kumar Mittal: Please repeat your question?

Rajendra Mishra: Sir, couple of quarters back you had spoken, this smart cities which are coming up, so I just want to know if any orders could come, realize or any traction is building up in that space or you think that is still quite some time away?

Anoop Kumar Mittal: You see, till now we have not got any order of the smart cities project and I don't think in the next 2 to 3 quarters there is any possibility of getting the smart city order. In my opinion it will take another one year's time to actual start of the smart city projects so (not clear) booking can start. So, just hold on and it might take another 2 to 3 quarters.

Rajendra Mishra: Okay and just one last query again, on this new cities being built in Amaravati, that is capital city of Andhra Pradesh, so any engagement from our company's side in that area or it is too early to talk about it?

Anoop Kumar Mittal: It is too early, but otherwise government of Andhra Pradesh is talking to us, we are doing few projects for them in Andhra Pradesh, not in Amaravati, but Vijayawada and other towns, some of the projects are redevelopment projects, so we are in close touch with them and I expect something will come to NBCC.

Rajendra Mishra: Okay, but would we be looking also to do any Greenfield real estate in that city later on?

Anoop Kumar Mittal: It all depends what kind of opportunities are there, how market is behaving, particularly real estate. We are not very keen to go into real estate just for the sake of business. It will be only once we are sure that there is a sure return on our investment.

Rajendra Mishra: Okay, sir. Opportunity as such....we would be open, but will sit back.

Anoop Kumar Mittal: Correct.

Rajendra Mishra: Okay. Thank you so much, sir for taking my queries and wishing the entire team a very happy Diwali.

Anoop Kumar Mittal: Thank you, same to you.

Moderator: Thank you, sir. Our next question is from Mr. Sumit Arora of Silverstein, please go ahead.

Sumit Arora: Yeah, hi sir. Firstly wish a very, very happy Diwali and extremely prosperous one. Sir and this is to entire team of NBCC as well. Sir, I just had a couple of questions. Sir, I had a question on the order book. Sir, you said that it is right now 30,000 crore and if we include BDA then it will be 40,000, then sir, you are expecting 10,000 crore of order to come in second half of the year, right.

Anoop Kumar Mittal: Very correct.

Sumit Arora: So, if that happens then we could go to 50 and sir, also of the colony you mentioned, the seven colonies, so you are saying that likelihood of four colonies will come to NBCC, which also is about 20,000 crores, so effectively then sir, our order book then can

go to by end of March '16, you are saying the order book according to that can go to 60,000 crores sir, I mean, is that the correct way to look at it?

Management: I think your calculation is correct.

Sumit Arora: Okay, wonderful sir and sir, secondly to ask you this, you know, this (not clear) are so, I mean, what do you think that the IRR of this project can be sir? Can it be upward of 18, 20%, sir, is it possible?

Management: In real estate project?

Sumit Arora: Yeah, in this 20,000 crore you are getting I mean, how do you basically see the profitability shooting up in the project sir?

Anoop Kumar Mittal: Usually in redevelopment projects we get only PMC charges; it is not the real estate project. We get certain amounts of fee on the project cost as our supervision charges and we also get some percentage to do the marketing and to sell the property, so this is not a real estate project. Yes, of course we invest some money, on that we get 15% interest, so it is a very simple model. So, you are talking about IRR, that is, I mean, in real estate projects we target 18% IRR in commercial property and 15% IRR in residential property, so that is in real estate segment.

Sumit Arora: I understand sir, okay and sir to ask you one more thing, is there any update on WAKF, you know, I mean any further orders from WAKF Board, because that's also a very big opportunity which can materialize whenever it does?

Anoop Kumar Mittal: You see, our team is already in the job. These are the projects which takes some time, you see, 100, 200 year old properties, they are digging out the papers, documents, they are talking to people, it will take some time, but definitely we will start, already we have started, so I think revenue will also come from the WAKF Board projects from last quarter of this financial year and once these four projects will start you will see another set of projects will again start, so it will take some time.

Sumit Arora: Understand, but sir, I mean, just to ask you this, hopefully and God willing if you get to this 60,000 crore order book mark by March'16, then sir, this 25, 30% revenue growth what you are looking at, then can it actually accelerate to higher growth because you will have to complete the projects in 5 years, so then can this 25% growth go to 35%, I mean, you think that is possible, what NBCC picks up?

Anoop Kumar Mittal: Boss, first of all don't put this pressure on me saying 60,000 crores order book, right, order book is 35, right. I agreed for 60,000 crores, I mean, calculation because quickly you have calculated 60,000 crores, that is all. So, presently I am targeting 25% CAGR. Once we get the orders it may increase 30% even 50% or 70% also, just don't get excited....don't put me under pressure.

Sumit Arora: No, absolutely not, okay. Wish you all the best, sir and have a fantastic year ahead.

Anoop Kumar Mittal: Thank you.

Moderator: Thank you, sir. Sir, there are no further questions, so I would now like to hand over the floor for the closing comments towards the management and Rohit Natarajan, over to you sir.

Anoop Kumar Mittal: Thank you very much to all my friends, whomsoever has participated in this conversation and once again I wish all the best and wish you happy Deepavali, thank you.

Moderator: Thank you so much, sir. Ladies and gentlemen, this concludes your conference call 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.