

[Print This Page](#)**Expect bottomline at around Rs 70-80 cr in FY15: NCC**

Construction and infrastructure firm [NCC Limited](#) posted a strong set of numbers in [July – September quarter](#) by reporting 325 percent rise in its standalone net profit at Rs 22.1 crore compared to Rs 5.2 crore in the corresponding quarter last fiscal.

In an interview to CNBC-TV18, YD Murthy, Executive VP-Finance, NCC says that although company's topline growth is strong, bottomline is worrisome. He expects bottomline to be in the range of Rs 70-80 crore in FY15 and around Rs 140 crore in FY16.

Encouraged by its margin improvement, Murthy looks to expand margins soon. In addition, he expects the recent reduction in debt by Rs 600 crore to aid in reducing interest costs.

Below is the verbatim transcript of the interview:

Q: The market was surprised by your big jump in revenues led by execution, do you think this kind of trend can continue over the next few quarters and the worst is truly behind you?

A: Yes, the worst is truly behind us. Our rights issue has been a big success and we are on the path of growth once again and Q2 topline growth was primarily because of the pick up in execution in our power projects where we are doing the EPC contracting work and it is likely to continue in the next two quarters also in the current year. So the topline growth is definitely assured but what is still worrying us is bottomline and that also will start improving Q3 onwards mainly because the debt levels in the company have come down by about Rs 600 crore and the resultant interest reduction will help us to improve the bottomline as we go forward.

Q: Is there a one of advantage that you enjoyed in your topline this quarter because of revenues from the NCC power project?

A: That is there but what I am trying to say is that one of advantage is likely to continue in Q3 and Q4 as well. Then it will taper off because once the execution takes place, now the supplies are coming so naturally they are adding nicely to the topline.

Q: What is the execution cycle looking like, are there any build-operate-transfer (BOT) projects that will start earning you any money annuity that will start earning you money in the next 12-24 months?

A: No, all our BOT projects are generating revenues. They are already operational. We don't have any road projects under execution as of now and in fact the board also took a decision not to bid for BOT road projects. So naturally there is no further equity requirement in these projects.

Q: You have put your other BOT projects on the block as well, any more are left to be sold?

A: Yes, for one project already the concession period is over and two projects we are trying to find investors. Our discussions are going on.

Q: The other aspect that stood out in your numbers was your margin performance, operating margins going up to 8.1 percent versus 7.5 percent, what is the likely trajectory over the next few quarters in terms of margins?

A: There is a good improvement in margins also that in fact for the last year, year as a whole, we reported EBITDA of only 6.6 percent, that is a lowest in our history and in Q1 current year there was an improvement, we reported 7.2 or so but Q2 there is further improvement about 8 percent or so and for the first six months of the current year, it is about 7.8 percent. We believe that this trend is likely to continue and for the current year, year as a whole we are likely to report EBITDA of around 8 percent.

Q: How much would that translate into your bottomline performance, what kind of growth can we look at?

A: Bottomline is -- last year we have done about Rs 41 crore mainly because of very high interest burden and the debt that is sitting on the books. Current year, the bottomline should be around Rs 70-80 crore for the year as a whole but the real progress will come next year that is FY2016 because nearly Rs 600 crore of debt reduction will add nearly Rs 70 crore to the bottomline straight away.

Q: What is the order pipeline looking like, has the ordering situation scenario improved?

A: Order accretion also improved nicely in the current year. First six months we got about Rs 3,600 crore of order. That trend is likely to continue. At present, we are holding on to nearly Rs 20,400 crore of orders on hand. That is a reasonably good order accretion and that will likely to continue.

Q: My question was more regarding what visibility you have in terms of the number of orders you have bid for and what might fructify over the next six months?

A: It seems for a current year, we have got an order accretion target of nearly Rs 7,000 crore out of which 50 percent is

already received in Q1 slightly more than 50 percent and we are confident that we will achieve the target for the year as a whole.