



“KNR Constructions Limited
Q3 FY '24 Earnings Conference Call”
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Moderator:

Ladies and gentlemen, good day, and welcome to the KNR Constructions Limited Q3 FY '24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. S. Vaikuntanathan, VP - Finance, KNR Constructions Limited. Thank you, and over to you, sir.

S. Vaikuntanathan:

Good afternoon. Thank you for joining us today on the call to discuss the financial results for Q3 financial year '24 and 9 months financial year '24. Mr. K. Jalandhar Reddy, our Executive Director, is in the site and he is likely to join within next 30 to 45 minutes. And along with me Mr. K. Venkatram Rao, General Manager of Finance, Accounts and Strategic Growth Advisors, our Investor Relations Advisors are available.

We have uploaded the results and the investor presentation on the stock exchanges as well as on our company website. I hope everyone got an opportunity to go through it. We would like to touch upon a very few company updates and the industry events, post which we will have a question-and-answer session.

I would like to share our perspectives on significant industry developments. The infrastructure continues to be a focused area for Government of India. This is reaffirmed by the hike in the allocation of budget to the sector. With an increase of 11.1% year-on-year, the capital outlay is of INR11 lakh crores. The allocation towards roads and highways is INR2.78 lakh crores and towards railways including the track laying and other things is around INR2.58 lakh crores.

The government is planning to bid out projects totalling to 5,200 kilometres on BOT toll mode during 2024 - 25, which will be based on the revised model concession agreement. With this, the government is trying to bring in greater participation of private sector investment. Government believes that infrastructure plays an important role in enhancing the connectivity and driving economic growth. As per industry sources, MoRTH is set to revolutionize India's infrastructure with 14 new expressways and high speed corridors spanning 2,239 kilometers, backed by INR1.3 lakh crores investment.

These projects spread across states like Uttar Pradesh, Maharashtra, Gujarat, Kerala, Raipur, Bihar, Rajasthan, Madhya Pradesh, Assam, and Jharkhand. MoRTH is spearheading in

transformative initiatives that will unlock opportunities for the infrastructure players in the country such as our company.

The awarding of activities has been slow in this financial year, mainly due to slow land acquisition. For the current financial year so far, the overall length of new contracts awarded between April and November '23, was 2,815 kilometers, down from 5,382 kilometers the year before.

Despite the challenges, there is optimism for robust project awarding activity for the coming months, particularly with MoRTH's ambitious plan to award projects totaling 6,000 kilometers in March / April 2024. Once this project would be upcoming, construction of 9 NH worth 2,357, covering a length of 225 kilometers in Jabalpur district under bridge on Jamni river.

For ease of transportation and to promote tourism in MP's Jabalpur district, Mr. Nitin Gadkari recently laid foundation stone for these highways. The ministry oversaw an 8% increase in National Highway construction with 6,215 kilometers completed between April and December 2023, compared to 5,774 kilometers in the same period of previous year.

Asset monetization is an important element for NHAI to fund the upcoming projects. Potentially, the new project launches in upcoming quarters, NHAI anticipates for financial year '24 to achieve the highest ever asset monetization in collection, targeting INR40,000 crores, which will be highest monetization amount per annum since financial year 2018 -19.

This milestone is expected to propel NHAI's total monetization revenue past the INR1 lakh crores mark. Such robust monetization efforts underscore the NHAI's commitment to unlocking the value of its assets as well as opening up of new and stable revenue to raise funds for future developments.

India's road toll income primarily sourced from National Highways has experienced a notable upstream escalating from INR17,759 crores in 2015 -16 to INR48,028 crores in 2022 - 23. Union Minister for road transport, Mr. Nitin Gadkari, has outlined an ambitious target aiming for revenues to soar to INR1.3 trillion by 2030 driven by projected annual growth rate of 15%.

Further to speed up the awarding while ensuring high-quality roads, there is likely to be a change in the bid process for selection of the project report consultants. As per industry sources, the government would like to reduce the bank guarantees, offered deemed approval and have splitted the eligibility criteria. December 23, 2023 marked a significant milestone for toll collection, toll plaza, FASTag, daily user toll collection reached INR210.18 crores on this day making the highest ever electronic toll collection in a single day.

Now coming to the key updates of the company. The percentage of physical progress as of December 31, 2023, for the HAM project is follows: Magadi to Somwarpet at 80.5%, Oddanchatram to Madathukulam 97%, Ramanattukara to Valanchery is 59.6%. Valanchery to Kappirikkad is 57.5%, Chittoor to Thatchur is 40%. During the quarter, the execution has primarily been driven by HAM projects.



As of December 31, 2023, the company has already invested INR480 crores out of these INR990 crores revised equity requirement for all the HAM projects. The additional equity repayment of INR90 crores to be infused INR290 crores from INR55 crores and INR65 crores for FY 2024, FY'25, FY '26, and FY '27, respectively. You can refer the Slide 27 of the investor presentation for detail on each HAM project.

The toll collection for Bihar project i.e. Muzaffarpur to Barauni in Q3 FY '24 is INR10.6 crores, which grew by 13% as compared to Q2 FY '24. For 9 months FY '24, the toll collection is INR 31.73 crores. As mentioned earlier, we have received the financial closure of KNR Ramatheertham Infra Limited, KNR Sriranganatha Infra Private Limited and KNR Kaveri Infra Limited. We expect appointed date for these by end of March 2024.

Now coming to the order book position. As on December 31, 2023, the company has an outstanding order book position of INR4,965 crores, which comprises of EPC projects and HAM projects, which is 69% of the total order book, while irrigation projects comprises of the remaining 31%. When broken down to clientswise, 58% of the order book is for third party clients and balance 42% is from captive HAM project.

The third-party order book percentage is skewed between state government contracts at 43% and 13% for central government and balance 3% order book is from other private players. Kindly note that this order book does not include the contract aggregating to INR1,780 crores as we are yet to receive the appointed date for the 3 HAM projects.

If we include these projects, our order book position will increase to INR6,745 crores. The current order book position provides a clear visibility of execution over a period of next 1 to 2 years. Under the Bharatmala project, a robust project pipeline and the completed DPRs should expedite the project awarding activity in the future. The company is targeting an order inflow of INR5,000 crores to INR6,000 crores during the next 1 year.

We have been actively pursuing diversification in our operations, recognizing its paramount importance in ensuring resilience and sustained growth. Diversification is not merely a strategic choice, it is a commitment to the future. Our company is resolutely engaged in seeking out different EPC opportunities in new geographies and unconventional project types such as railways, mining, energy, pipeline and metro development are among others.

This deliberate effort aims to not only to navigate the present challenges, but also to push ourselves advantageously for the future. As on date, the pending receivable from Telangana Irrigation is INR650 crores approximately, including uncertified portions.

Now coming to the liquidity position of the company. The liquidity position of the company is very strong as INR550 crores of HAM projects receivable is yet to be drawn. This is being done to save the IDC amount. The claim amount of INR250 crores out of Vivad Se Vishwas is received very recently. Irrigation department payment of INR400 crores is expected by the March as we have been given assurance by the government.

I will now request Mr. K. Venkatram Rao, our GM to present results for the quarter and 9 months ended December 31, 2023. Over to Venkatram Rao.

K. Venkatram Rao:

Let me take you through the Q3 FY '24 and 9 months FY '24 stand-alone financial performance first, followed by the consolidated financial performance. I will start with quarterly highlights first. The revenue for the quarter grew by 9% year-on-year to INR905 crores. EBITDA for Q3 FY '24 is lower by 6% year on year basis to INR147 crores as compared to INR156 crores in Q3 FY '23. The EBITDA margin in Q3 FY '24 stood at 16.3% due to lower revenue contribution from the irrigation projects.

Net profit for the quarter was INR85.5 crores as compared to INR162 crores in Q3 FY '23 due to an exceptional income of INR138 crores on account of sale of 3 HAM projects to the Cube Highways in Q3 FY '23.

Now coming to 9 months FY'24 highlights. Revenue for 9 months FY '24 grew by 8% year-on-year to INR2,777 crores. EBITDA for 9 months FY '24 witnessed a degrowth of 4% to INR487 crores as compared to INR510 crores in 9 months FY'23. EBITDA margin in 9 months FY '24 stood at 17.5%. Net profit for 9 months FY '24 was INR269 crores as compared to INR370 crores in 9 months FY '23, which includes INR138 crores of the exceptional item during 9 months FY'23 on account of sale of 3 HAM projects to Cube.

Now coming to consolidated financial performance. I will start with quarterly highlights first. The company recorded year-on-year growth of 14% in total revenue from INR875 crores in Q3 FY'23 to INR996 crores in Q3 FY '24. EBITDA came in INR226 crores in Q3 FY '24 to INR197 crores in Q3 FY '23. EBITDA margin in the current quarter stood at 22.7%. Profit after tax stood at INR136 crores in Q3 FY '24, vis-a-vis INR108 crores in Q3 FY '23.

Moving on to 9 months FY '24 highlights. The revenue for 9 months FY '24 grew by 7% year-on-year to INR3,015 crores. EBITDA for 9 months FY '24 was INR673 crores as compared to INR671 crores in 9 months FY '23. EBITDA margin for 9 months FY '24 stood at 22.3%. Net profit for FY '24 was INR412 crores as compared to INR298 crores in 9 months FY '23.

Now moving to the standalone balance sheet. The company continued to maintain a strong balance sheet. The working capital stood at 61 days compared to 65 days as of 30 September 2023 and 67 as of 31 December 2023. The consolidated days as of 31 December 2023 is INR1,048 crores as compared to INR730 crores as of September 30, 2023. Net debt to the equity on consolidated basis as of December 31, 2023 stood at 0.37x as compared to 0.24x as of September 30, 2023.

With this, we can open the floor for question and answers.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from Shraavan Shah from Dolat Capital. Please go ahead.

Shravan Shah:

Sir, the first question is on the order inflow front. So we have mentioned in the opening remarks of INR5,000 crores to INR6,000 crores that we are looking at in the next 1 year. So a couple of things related to this. So first, how many projects and the value have we bid, where bid is yet to open, that is first.

Second, how do you see by March end how much we can get? Third is don't you think even this INR5,000 crores to INR6,000 crores in next one year is also too less, given the INR6,745 crores order that we have, which is a 1.7x kind of revenue visibility and whatever, even if we get on the HAM front, it will take at least 9 months to 12 months to start the revenue.

So to sustain a kind of a 10% revenue growth, we need even at least INR9,000 crores to INR10,000 crores kind of order inflow by next 1 year. And which are the segments apart from the road we are looking at? And what are the opportunity size where we are confident that we can achieve this?

S. Vaikuntanathan:

Yes. In the last two months, we could tender only on irrigation projects in Telangana is around INR550 crores in the Khammam district and that itself is yet to be announced.

And with regard to the HAM projects, most of the projects have been postponed, even in fact, 2 to 3 days back there were 4 projects that all have been postponed where we have made the survey and kept all our things ready, in fact we have submitted the bank guarantee also. Now these projects have been postponed.

And coming to the BOT side, yes, there are certain developments that we may go in for some tie-ups for doing the BOT project. That is yet to be finalized. It's in the very preliminary stage. And we are also looking at the state road projects for Maharashtra state road projects, where the tender is in the month of March. So that we are yet to get further information on that. Either, even if we don't get it, we will go for as a subcontract also that we have decided.

So we are hopeful that in other areas where we are now opening up the area is that we want to do the EPC projects of railway projects we have tendered, but we could not get it, 2 railway projects we have tendered with the joint venture, but we could not get, because a lot of competitions have also come. And so in the future, we will be continuously tendering for railway projects, number one. Number two, the HAM projects will be tendering. Three is that the BOT projects also, we are on the lookout, we will be doing.

And next is that state road projects also, we are looking for it. And wherever that EPC projects for solar power or mining, so we are on the lookout for those areas also. So once the projects are announced where we are doing some study on that, we will be going for EPC of those tenders also. So this is what's the planning, but we are very hopeful that since the elections are all coming around May, there may not be much projects in roads from NHAI or MoRTH, they are going on postponing it.

But what we feel is only after July, the real tender from roads may come up. So we may have to wait for it. And as we said earlier, we are all now concentrating on the liquidity position where



we are trying to recover all these irrigation payments, which the government has promised, around INR400 crores before March, that is one.

Second, we already got INR250 crores out of the Vivad Se Vishwas from NHAI. And further claims also we are negotiating. So first, we are trying to strengthen our liquidity position. So that when BOT or any other projects come, we can really do without any probability of funds concerned. And meanwhile that HAM projects of Palani also, we are in the final discussions with the Cube for closing the project. Once that is over, then we may get the return on equity also to add, so this is what is the present development.

Shravan Shah: Got it, sir. Just on things. So now in terms of any number of projects or value that we have bid and where bid is yet to open.

K. Venkatram Rao: Only that one of the irrigation projects that we have bid, that further bid has to be opened in the state of Telangana. For other projects, actually in the last 2 weeks, actually, 2 bids were there for the HAM, but it all got postponed. But a lot of bids are there, but really as our VP sir told, really we are not sure whether they will come up for participation or not.

Shravan Shah: Okay. Got it. So given this constraint, so for this year, in terms of confirming the guidance, so we were looking at more than INR4,000 crores revenue for this year and also the margin, now irrigation is on the lower side. So if you can help us in terms of how one can look at fourth quarter in terms of revenue and the margin and also for the FY'25. So how much order inflow is to come and that too, let's say, on the EPC front, then only it will start contributing revenue in FY'25.

On what assumption are we taking for FY'25 in terms of the revenue and the margin? So whatever the INR1,500 crores plus irrigation is left in terms of order book, how much we can execute in the fourth quarter, how much in the FY'25. So broadly trying to understand how the revenue will come in fourth quarter and in FY'25 and how the margin one can look at?

K. Venkatram Rao: Actually, for Q4, actually, FY'24, we are targeting the entire turnover will be around INR4,000 crores, so around INR12,000 crores -- INR1200 crores. Definitely, we are trying for Q4 FY'24 and guidelines will be somewhere -- because as you know that lower contribution of irrigation, it will be in the same range, around 16%, 16.5%.

So therefore, as far as next year, actually FY'25, we are getting some EPC project, so we can start contribution on that. So next year, our target is some INR4,000 and some 10% increase because we are expecting some projects from EPC project from MSRDC and some like Telangana irrigation project some we are expecting.

So definitely, next year, we are targeting with some INR4,000 crores plus around 10%. And margin we have to see if the irrigation project we are getting, then contribution will increase. Otherwise, 16% and 16.5% is the sustainable EBITDA for the company for existing HAM and EPC project. If irrigation is contributing more, then definitely, it will slightly increase. But as of now, we are thinking that we're around 16% is the sustainable EBITDA.



Shravan Shah: Okay. And if you can repeat the equity requirement for fourth quarter and '25, '26, '27 and consol cash?

K. Venkatram Rao: The equity requirements are actually what are the existing, actually 8 HAM projects is actually around INR990 crores. Out of that, around INR90 crores, we are expecting in this Q4 FY'24 and FY'25 will be around INR290 crores and FY'26, around INR65 crores and FY'27, around INR65 crores. So that includes our 3 new HAM projects for the appointed dates yet to come.

Shravan Shah: And the consol cash is how much, sir?

K. Venkatram Rao: Standalone debt is INR30 crores and a standalone cash is INR44 crores. Okay, that we will let you know, consol cash flow.

Shravan Shah: Okay. And how much capex we have done in 9 months and for full year and maybe the next year, how much capex we can look at?

K. Venkatram Rao: For 9 months, we did capex of INR70 crores. For full year, we expect somewhere around INR90 crores to INR100 crores for this year. And next year is definitely based on a lot of the projects we are expecting. But at least INR100 crores to INR120 crores, definitely will be there. If we are getting good EPC projects basically, then definitely capex may slightly go up.

Moderator: The next question is from the line of Niteen Dharmawat from Aurum Capital. Please go ahead.

Niteen Dharmawat: On Slide 9, you mentioned a strong EPC order book of around INR5,000 crores. Do you really think it is a strong order book for a company with revenue more than INR4,000 crores. And our order book has been reducing continuously for the last 5 quarters from INR8,100 crores in Q3 financial year '23 to now less than INR5,000 crores in Q3 financial year '24. We have been talking about new project wins for the last several quarters now, but nothing much has happened. So where are we going wrong in acquiring new projects? This is my first question.

K. Venkatram Rao: Our ED sir had joined actually.

K Jalandhar Reddy: I am Jalandhar Reddy joining this side. Yes. Actually, from March onwards, from NHAI, there is a very less number of bids, which have been floated out. In fact, there were many bids in the sequence, but there's a lot of postponement and the several number of postponement happened in this. So in order to address, then we have also started to go with micro irrigation projects -- we have placed in bids in micro irrigation projects as well.

We are also participating in HAM projects and some of NHAI projects, but very small. This time, we had very less inflow of tenders because of some issues with NHAI. So rather, we heard, again, they are even going to DBFOT mode for further bidding process. So to sort out that we are even discussing with major BOT players like Cube Highways and a few other concessionaires to bid along with us, they're going to bid for EPCs. So if the rally is started, definitely, we are going to pick up in the highway section also.

And irrigation, they are in pipeline and the pipeline in the sense we have given some bids and those results is not yet out. So those 2 to 3 bids are under pipeline kind of thing. Apart from that, we have tried our bids in railway tunneling projects also we have done.

And we are also trying to participate in some of the solar EPC mode projects, we're also trying those. And of course, mining, we are thinking, but we haven't placed any bids, but in future, we would like to go for mining operation bids also. In order to improve the situation, we have been taking new engineering contracts in our hand, so that our order book is improved and all the efforts that whatever the best we can do, we are doing, sir. This is the situation.

Niteen Dharmawat: Yes sir, I got it. But the pace at which we are acquiring projects is not very healthy. That is what for the last couple of quarters when we were talking about acquiring new projects, that has also not happened. So I thought that I'll bring this to your attention.

K Jalandhar Reddy: We really understand the situation, and we also have come in a bit awkward situation this time, I agree. And we are trying our best to push the case.

Niteen Dharmawat: I understand. Now my next question is, what is the status of cash flows from Telangana payment recovery and the award of projects with new government in charge. Are new projects halted or is there any change in the status of the earlier awarded projects. Does this INR5,000 crores order book involve any projects from Telangana that is of risk?

K Jalandhar Reddy: Yes, sir. I think about INR900 crores is there in this order book available from irrigation. That is from that inflow canal and then the pump house project. Rest are almost have completed. So there only we have been having outstanding payments about, say, INR650 crores plus, which need to be paid by the state government.

We were discussing in the various forums – and department. Even the government, they say we will pay. As the new government is formed, you may have to wait for one to two months' time to get these payments. So even the department is assuring to pay. And however, they need to resolve this -- for pump house project, they need to resolve the loan issues with the banks. So once that is done, I think all these will be streamlined.

We expect another one to two months delay on this. And for new tenders, if they are budgeted, then only we are thinking of bidding. Otherwise, maybe we will decide, but however, we gave some bids already.

Moderator: Next question is from the line of Bharani from Avendus Spark. Please go ahead.

Bharani: So just wanted to check according to you, what would be the major changes in the model concession agreement in the DBFOT mode that we are expecting, which will be conducive for the concessionaires to bid?

K. Venkatram Rao: Draft concession agreement, is still under discussion in the NHAI, but what we got the information that, now actually in respect of this with the traffic, because alternate issues are

basically traffic. Because, as you know, there's now a lot of greenfield expressways coming. So if you are extending the existing road and new greenfield expressways coming there now, it will be the compensated.

So that is the concern from the developer side, and we are already telling in a different forum to toll -- this in respect of toll collection actually, that is not in our control. So what we expected there is some mitigation plan actually that NHAI is going to put in the concession agreement might be a target date actually, they may reduce rather than 10 years, it may reduce to five years. So that's way, this discussion is going on.

It's still this first cut of DCA has not come, but we are expecting that with these all addition DCA will come and then we can submit our comments on that.

Bharani: Okay. So when do you expect this to be finalized? And when do you expect the BOT projects to come into the final tendering and bidding space.

K. Venkatram Rao: The NHAI is rigorously working because a lot of BOT toll project, they already floated actually. Anyway, they are postponing, because until that DCA is not come, it cannot be tendered. We expect that maybe in next one month, actually, they should be able to close it.

Bharani: Okay. My second question is on our three hybrid projects where we are yet to get appointed date. So this has been there without appointed date for more than three or four quarters. So when do we expect? And what is the reason why it is getting delayed?

K Jalandhar Reddy: Actually, the AP project that is Ongole project, Vijayawada to Bengaluru highway. We have signed the memorandum, I think, three days ago. And it is likely to get another one week, we would get the pointed date for that **Ongole** project. And we are expecting the other Mysuru projects, there are two other projects are there. from Mysuru to Kushalnagar.

Those two projects, the second stage environmental clearance is not yet done. I think voting could take place by March end. Before that, I think the land availability, we have -- as per our site study, it says it is only 50% done in both the projects. So iff they do hedge for 80%, by March end it will happen, or otherwise, one more month is likely to take for those appointed dates.

Bharani: So in summary, the Vijayawada-Bangalore section, probably next one to two months and the two Mysuru projects may be one quarter?

K Jalandhar Reddy: Yes, within a week, I think the appointed date may come sir, because we have signed the memorandum for that AP project. The Karnataka two projects, I think it will take March, April somewhere in this time it should happen.

Moderator: Next question is from Pratik Bhandari from Art Ventures.

Pratik Bhandari: You stated the number of order inflow that we have received up until nine months FY24?

K. Venkatram Rao: No, we have not received any order in FY24.

Moderator: Next question is from Faisal Hawa from H.G. Hawa and Company.

Faisal Hawa: Sir, what kind of message are we sending with the kind of new directors, which have come in. I mean they are very good names. And does it mean that we want to broad base our thinking within the Board and encourage more to and fro discussions and more diverse opinions. That's one.

Second is that do you feel that we are a little late on our strategy in diversifying to solar EPC and into railways? Or is it because the previous experiences with railways, not releasing orders on time and gestation period being so high, had dissuaded us from going in for these kind of orders?

And is there any quick fix to this where we could get orders, which can be executed quickly and so that the next financial year there could be at least some growth in these numbers because we have been almost flat in sales from the last two to three years. And third is, sir, we have always been protecting our EBITDA margins even at the cost of losing orders. So we will still continue with that strategy?

K Jalandhar Reddy: Yes, sir. Actually, the first order book concern, yes there are some challenges in new upcoming things like the railways and all. It's a real good situation now. It's there. But the quantum of orders which are coming in large scale from railways also, which if we focus on it, I think we may not be focusing that as a core of our business. But we would take one or two projects to our order books and which may comprise about 15% to 20% of our business.

And even if I talk about the solar EPC also, it may be comprising about 5% to 10% of our whole business. So wherever this risk would be there, if the risk is there and all then we may not be able to go forward, as such there is a lot of ambiguity that is there in the NHAI because they want to only bid the DBFOT model. Rather, they want to discontinue the kind of EPCs and -- maybe partial HAM projects also could come, but takers for HAM projects have been increased and competitive intensity is going up.

So where we have to a little bit strategy-wise, we should change ourselves to take quite a good business in hand. And moreover, we are also focusing on state highways, like Maharashtra, we were thinking of taking some projects from Pune Highway with someone subcontracts and all which we are also in line with that.

So maybe future things will go better, sir. Definitely is all because of the problems that we are facing through NHAI slow bidding process, so for which only we are trying other ways. But otherwise, we were much comfortable in those areas actually.

K. Venkatram Rao: Sir, regarding directors also, sir, the question was there, new directors.



K Jalandhar Reddy: Yes, new directors. I think we have sorted and the director names and everything will be placed before you.

Faisal Hawa: The directors names are already there. I want to know the message that we are sending out because these are very illustrious names known almost all over the country. So what is the message that we are trying to send out? Because so far, we have been having family-related directors, more directors, which are in and around Hyderabad based, so...

K Jalandhar Reddy: Nothing like that. We have taken expertise from finance and like that, which is fixed up. And probably, do you mean to say, is there anything wrong which you are thinking in it? I really didn't get the question because I was traveling, I couldn't hear properly.

S. Vaikuntanathan: It's like the clarification is like this. This present two directors, their terms are getting expired in the month of September. And already their term will be over and further extension may not be possible under this so when they are there, then with their help and new directors have been interviewed and then they have been taken as additional directors. So that when they will continue for another three, four meetings, they will be also knowing the entire operations of the company. So with that intention, they have been taken in advance, that's all.

Moderator: The next question is from Vaibhav Shah from JM Financial Limited.

Vaibhav Shah: Sir, over what timeframe do you expect to execute the irrigation backlog?

K. Venkatram Rao: Right now actually we have irrigation project of around INR1,500 crores...

K Jalandhar Reddy: And all that, it is completely depending on the payment how we get and what sort of strategy we should go going forward. But seems to be positive this time that we have spoken to various departments and even we happen to meet on an official meeting, we have met concerned irrigation minister also.

He was so positive. But there are some failure projects on which there is some inquiry or some vigilance is going on. But the projects which are regularized, and they have no issues, those will be treated as a regular ones.

So that is a strategy that they're going to take, which I heard from them So there should not be any hassle, but within two months, if they don't sort out this payment problems and all, then it is going to be further burden to us. So that we would like to slightly mitigate in future.

Vaibhav Shah: So the irrigation -- what was the revenue in third quarter for irrigation?

K. Venkatram Rao: It is around 14%, INR127 crores.

Vaibhav Shah: So it should be a similar value in fourth quarter as well?

K. Venkatram Rao: We expect maybe similar --as our ED sir told, until the payment clarity may not come we may not but it will be the same we can consider.



K Jalandhar Reddy: Sir, actually, if we don't do the projects also, then the overheads will go up. And then as usual, we're likely to get some losses because the overheads are clocking but there is no turnover or it is not equating to the proper guideline. Even department also don't like to stop the work. They assure that you do, we will try to pay, like that only they are speaking. But maybe we may slow down if at all we get any payment issues and all.

Vaibhav Shah: And sir, you mentioned that you have submitted bids in one of the irrigation projects. So what would be the size of the project?

K Jalandhar Reddy: So I think INR1,100 crores three projects, INR1,100 crores, INR1,150 crores, three projects we have placed in some micro irrigation projects in Telangana. And around INR600 crores, INR650 crores, there are from regular irrigation projects around three or four we have placed. And bids are not open so we don't know the result. Just I said, that as we were lagging with the order book, I just mentioned what certain efforts we are doing.

Vaibhav Shah: Sir, these are the same which we had mentioned in last quarter, those were the same projects?

K Jalandhar Reddy: I think because of the election code, which has come up, so they stopped it during that state election, they've stopped it. That's why things were not in order. Otherwise, those would have been opened and then results would have been out by now.

Moderator: Thank you. Next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: Sir, we have given a guidance of INR5,000 crores to INR6,000 crores. And this year, the bids of Telangana project, yet to open irrigation around INR1,700 crores to INR1,800 crores. So even if we win or if we don't win, the bids get delayed, so the infra guidance seems to be very low for future growth. I think you can try and recoup the inflows next year for better visibility.

Because as you said, you are targeting subcontracting, back-to-back subcontracting to BOT toll projects and state highway projects and solar EPC and railway projects. So the pipeline seems to be humongous, but the guidance seems to be very low. So any thought that you can rework on your future inflow guidance and try to rebuild the order backlog?

K Jalandhar Reddy: Actually, let's have some successful projects inflow. Once we have projects coming in, definitely, we'll will do, because right now the situation is not seems to be very encouraging situation. Market is very heated up. Last time I have seen a bid, where 23 people -24 people have come on in 1 EPC project, wherein it has gone 42% less.

Such unhealthy situation we are now heading. So I'm a little bit scared enough to give you the higher guidance. But once I have confidence of winning the projects or even I get the inflow projects have started, then definitely I would rather go for it, raising my EPC. Every company wants to grow and we are very passionate to grow the company.



- Jiten Rushi:** Sir, on the solar EPC, railways and other sectors, are you qualified to bid or you will be bidding in joint venture.
- K Jalandhar Reddy:** They are framing the eligibility criteria in such a way that we also benefited to it. Because they really know that entire equipment of many players have been becoming idle. And wherever there is possibility, they are trying to accommodate. Ministries are trying to attract more competition out of the situation. So they are making everybody eligible in that.
- Jiten Rushi:** But sir, execution will become a challenge because we are inexperienced in the sector, then we can end up...
- K Jalandhar Reddy:** Actually solar concerned, sir. If you have the panels, panel's cost is fixed, so everything is same as what we are doing. And for anything, for any work, there have been lots of PRWs, lot of subcontractors which are available, who are expertise in such fields. While bidding on to it, we have done an extensive homework by which what all to be done and what methodology we are going to adapt and what are we -- who are the parties we are taking, who are my suppliers, everything is sorted sir. Then only we have gone for bid.
- Jiten Rushi:** You mean to say, you have a professional team members for Solar EPC railways, which is sorted and...
- K Jalandhar Reddy:** Right now, professional team is not there with me, but we have taken consultants on board, who has guided us. And we have gone to various suppliers. The major thing is buying panels itself is only the bigger exercise that, in fact. Once that is done, the rest all it is easy job for us.
- Jiten Rushi:** And for railways, we already have in-house team, right sir?
- K Jalandhar Reddy:** Railways, in a similar way, tunneling, we are trying to recruit some goods engineers for our staff. So once that is done, and we have one of our subcontractor earlier who worked in one of our highway projects, he is tunneling expert now. So he is joining us hands with us. So we are trying such tie ups also.
- Jiten Rushi:** Basically, if we see competitive intensity in the roads, are you looking to move out of South India as you have been saying consistently. So are you looking out for more projects out of South India, especially in the roads and solar and other segments? Or we will be focusing only in our expert area, like South India.
- K Jalandhar Reddy:** No, no. We are focusing on all other parts of India also, only that UP, Bihar I am unable to go because of the quarries issue for me. And there is a little mafia that is there. And if you don't have your own captive quarries, then the problem is with the mafia people. You never know -- every month, there is a change like cement, steel whatever they are changing the rates, it is in the similar way for the aggregates also there in those areas.

So there, I'm unable to become L1 because you had the captive quarry, they are able to give a lesser price than me. Otherwise, I was really bidding every time. Only UP, Bihar I am out, but rest of the part of India is free for me.

And I would also joining hands with some of the joint venture partners, I am in the discussion. It is in the discussion phase, so I'm unable to give you complete detail, for that who has a captive quarry and I will join as a joint venture partner, you give me some fixed price which we are doing a deal within and try to breakeven those areas also. I'm trying. It's not a complete confirmed thing as on. But we are taking a strategy.

Jiten Rushi: Last question only. The HAM projects which are in discussion are only 1 project, but last quarter, we were talking about 2 projects to HAMs. Any reason why we are not talking for only 1 HAM project, Palani only.

K Jalandhar Reddy: Yes, you are talking about other 3 projects were also under discussion, but MOU is yet to conclude.

K. Venkatram Rao: But concession is there, because Palani we got already PCOD, that is why we are put in advanced stage, but other 3 projects, discussion is going on, but we have time to -- because this construction is going to complete it in this year-end only December. So after that only we can look into. But meanwhile, we are discussing that project also. It is not like that we are not discussing.

Moderator: The next question is from Ashish Shah from HDFC Asset Management. Please go ahead.

Ashish Shah: Sir first question is that in the MSRDC projects that you mentioned that you are bidding or you're going to bid. Have you qualified for those bids in the MSRDC.

K Jalandhar Reddy: There I mentioned about subcontracting only. I was not qualified -- that express highway I couldn't have with me. So I could not get the qualification. So we were -- this time we were thinking to go for a subcontract for 1 or 2 projects -- then later, I also get qualification, so that future is going to be more for express highways. So I really want to go have a label so that in future it is easy for me to bid.

Ashish Shah: Right. So it's because we have -- we are not qualified for express highways, that's the reason we've not qualified for bids.

K Jalandhar Reddy: Yes, I'm not qualified, I don't have the express highway this thing.

Ashish Shah: The second thing we spoke about some tie-up for BOT. So just to clarify, we're looking for a joint investment kind of a tie-up or we're looking for, somebody bids and wins and we do the EPC. What's the kind of arrangement that we are using?

K Jalandhar Reddy: Yes, sir. Initial model, what we worked out with the Cube is about - we give them EPC bid and they bid for the BOT and later on the commitment, we will do their EPC and the price which I have given. So it's a pre-tender tie-up, and if they win, we will be the EPC player for that.



- Ashish Shah:** Right. Sir, third question is that just to clarify, we were L1 in some irrigation projects of INR1,500 crores or thereabouts. So now those L1s are not there in the pipeline? I mean, have they been canceled? Or we are still there in the frame for those L1s.
- K Jalandhar Reddy:** Sir, L1 status is not there with -- in official news is not there, only it is the settlement between the contractor who applies the bid, that's it. So L1 is yet to announce and then it sums out. So then we have spoken to the minister last time, he assured that those bids we will not disturb and we will continue with the bidding process. That means, they may be allocating some funds and then they would open up the bid, that's what their this thing is.
- Ashish Shah:** Okay. So basically, we have bid for them, they've not officially declared L1.
- K Jalandhar Reddy:** Yes. Yes. And the other projects, among the contractors we have spoken and then decided I'm L1, but it's really not there. Such things, no guarantees as it's kind of that. I don't know who have given you information, it is kind of that instance.
- Ashish Shah:** And sir, what you mentioned about micro irrigation and the other projects, that's different from the INR1,500 crores that you have mentioned earlier -- the INR1,100 crores, INR1,150 crores?
- K Jalandhar Reddy:** That's a different one. We have different 3 projects, which may have bidded, micro irrigation, they are different ones.
- Ashish Shah:** And that you have bid for? You have bid for these projects?
- K Jalandhar Reddy:** Recently, I think 3, 4 days back.
- Ashish Shah:** And lastly, what is the unbilled portion of the irrigation, which is outstanding?
- K Jalandhar Reddy:** I think as of now, 670 or...
- K. Venkatram Rao:** 650 is the total outstanding, including unbilled. We'll have to add this month, right? Including as of date -- INR81 crores is the receivables and balance is certified and unbilled portion, actually, around INR570 crores.
- Moderator:** Next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.
- Lokesh Manik:** Firstly, apologies. I've joined the call late. So if you've already covered this part. One is with the new announcement that has come in from the minister that they are now proceeding towards BOT project.
- So would it be fair to understand that you will now shift now towards the EPC side of work or you would want to take these projects on your balance sheet. And are you exploring partnerships other than Cube, with other private equity firms. And the question is any progress on projects which are non-road related, which you have planned, metros, the highways of the likes.



K. Venkatram Rao: Basically, this actually, as already told on con call by the ED sir and VP sir. So definitely, we are looking for other sectors other than road also. So basically in that metros are there, railways are there, minings are there. So definitely, we are looking in that sector, and we are trying to bid also in that sector.

So basically is that we are taking on EPC basis. So whatever our thought process is that, definitely, we don't want to do that. You can say that BOT type concept. We want to do actually basically EPC for that project. Even for BOT toll also, we are looking as an EPC contractor more rather than as a developer.

We know we are basically the EPC company, and our focus is always in the EPC. So we will continue to be focused on that. That's why we are discussing with different investors in the BOT toll tie-up and to work as EPC contractor. So that's why we cannot take entire thing in our balance sheet. So that is our object and we are pursuing towards that only.

Lokesh Manik: Would this impact your profitability versus where you are doing, taking it on your books versus doing an EPC. Will that have any impact on your..

K. Venkatram Rao: It is basically the EPC contract only. So like our existing EPC contractor is there, rather than directly from the NHAI, it will be some of SPV of the EPC contractor. So it is nothing -- our balance sheet will be the same only because we have to bid, we have to give the EPC price actually for that bid and according to that, bidder will quote actually. And when awarded to us, we will get the EPC work and we will do.

Lokesh Manik: Any credit risk on this?

K. Venkatram Rao: EPC work is whatever the working capital requirement you have to do, for that definitely, we will go with our existing consortium, and we will get it. So credit risk is towards the EPC work only.

Moderator: That was the last question. I would now like to hand the conference back to the management team for closing comments.

S. Vaikuntanathan: Thank you all for joining us on this call. Please reach out to our Investor Relations consultant and Strategic Growth Adviser or us directly, should you have any further queries.

Moderator: On behalf of KNR Constructions Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.