



“KNR Constructions Limited
Q4 FY2020 Earnings Conference Call”

June 12, 2020



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Moderator: Ladies and gentlemen good day and welcome to the KNR Construction Limited Q4 FY2020 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 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 conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. S. Vaikuntanathan, Vice President. Finance, KNR Constructions Limited. Thank you and over to you Sir!

S. Vaikuntanathan: Good afternoon friends. I welcome you all on our earnings call for quarter end and year ended March 31, 2020. Along with me, I have Mr. K. Jalandhar Reddy – Executive Director and Mr. K. Venkatram Rao, General Manager (Finance) Accounts and Strategic Growth Advisors and our Investor Relations Advisors. Let me begin with by giving you all a brief on key industry updates and then we will discuss the company's performance.

To achieve the aim of making India a USD 5 trillion economy by 2025, infrastructure development will play a pivotal role. For this a National Infrastructure Pipeline (NIP) with an expected investment of Rs.111 trillion during financial year 2020-2025 has been framed. The Honorable Finance Minister describing infrastructure development has been enabler for growth has stated that most of the investment in NIP will happen in the initial two to three years. Further as per additional report the transport infrastructure sector in India holds investment opportunity of US \$575 billion over the next five years. Report further says that roads and railways constitute 80% of the total investment opportunities given by investment in flagship that is Bharatmala Pariyojana etc. Recently Finance Minister rolled out some Rs. 20 lakh Crores stimulus package under the Atmanirbhar Bharat Abhiyan aimed at spurring growth and building a self reliant India. It was announced that for roads and highway companies an extension up to six months without costs to contractor will be provided by all central agencies. It will cover obligations like completion of work, intermediate milestone etc., and extension of construction period in PPP contracts. It is also stated to classify the lockdown event as a force majeure for the projects impacted due to lockdown. Besides, the government agencies will be asked for partial release of bank guarantees to the extent the contracts that are partially completed to reduce cash flow problems. Recently the Ministry of Road Transport and Highways have decided to release Rs. 7,500 Crores to Rs. 8,000 Crores of retention money to provide liquidity support to the EPC constructions. This is a very welcome move in the current scenario. Union Minister of Road Transport and



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Highways, metro and small medium enterprises recently stated that he aims to attain a faster pace of highway construction to boost the Bharatmala Pariyojana program. He further stated that the growth in the road sector will be doubled than it was in the previous five years. He has set a target of constructing roads worth about Rs. 15 lakh Crores for next two years alone.

NHAI awarding, during this financial year 2020, the pace of awarding by NHAI was lower than anticipated. NHAI has awarded 3,211 kilometers as roads as against target of 4,500 kilometers. However, the awarding activity was higher in FY2020 as compared to FY2019 when NHAI had awarded 2,222 kilometers. The pace of construction activity was highest ever of 3,929 kilometers in FY2020 up from 3,321 kilometers in FY2019. The imposition of lockdown to control the spread of COVID-19 has resulted in a delay in awarding the activity by NHAI. However, target for FY2021 consists of awarding 4,000 kilometers of projects and developing 4,500 kilometers of highways. With respect to funding availability, NHAI has been able to raise funds from the market. Its borrowing program for the current financial year amounting to Rs. 65,000 Crores as it is assigned with AAA rating by top rating agencies. Further NHAI has also signed MOU with NIIF for financing road projects and it is also in top with new development banks for financing green corridor projects.

Bharatmala Pariyojana, the ambitious Bharatmala Pariyojana includes development of national highways of around 65,000 kilometers and that is the first phase of 34,800 kilometers of highway are being constructed with an outlay of Rs.5.4 lakh Crores by FY2022 and NHAI has been mandated to develop about 27,000 kilometers out of this. According to the data available about 1,315 road projects covering 49,238 kilometers worth Rs. 5.9 lakh Crores are currently under progress.

Now coming to the key updates of the company. We have a portfolio of 9 projects of which 5 are HAM, 2 BOT – Toll and 2 BOT Annuity projects. We have received appointed dates for 4 HAM projects including the appointed day for KSHIP HAM project which we received on 12th Feb 2020. Execution of these projects are in full swing and we kick started execution at KSHIP HAM projects during Q4 FY2020. The percentage of physical progress as on March 31, 2020 for these 4 HAM projects are as follows, Chittoor to Mallavaram is 54.4%, Ramsanpalle to Mangaloor is 43.7%, Trichy to Kallagam 37.4%, Magadi to Somwarpeth 6.9%. For our 5th HAM project worth Rs. 950 Crores BPC, we have signed the concession agreement on December 6, 2019 and submitted the document for financial closure on May 22, 2020. We have already invested approximately Rs. 199 crores as equity across all our HAM projects. We have given all the details of all HAM projects on the slide #26 of our investor presentation. As you know, we have already signed share purchase agreement with Cube Highways of Infrastructure III Pte. Limited, for our three HAM



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projects that is Trichy to Kallagam, Chittoor to Mallavaram and Ramsanpalle to Mangaloor projects for disinvestment of our stake. As per the agreement, we will completely sell these projects on COD plus two years. The deal structure ensures that the HAM projects now operate like deferred EPC contracts and the company can free up its balance sheet and take up new projects in future.

Update on BOT projects, we are very pleased to inform you that the company has signed its SPA with Cube highways for the sale of 100% stake in KNR Walayar Toll Private Limited for an enterprise value of Rs. 529.27 Crores. The transaction is subject to certain conditions including approval from NHAI. We expect the transaction to be completed within the next one to two months. The toll revenue at this project during the quarter is Rs. 17.9 lakh per day. Our Bihar project that is Muzaffarpur - Barauni project, the toll revenue during the quarter has come down to Rs. 15.82 lakhs per day Q4 of FY2020 due to development of Rajendra Setu bridge and stoppage of road construction as per directive of NHAI to contain the spread COVID-19 from March 25, 2020 onwards.

Coming to EPC projects, we have a total order book of Rs.5230 Crores out of which the EPC components of 4 HAM projects of which appointed data has been received is Rs.2,452 Crores which is 47%, out of the remaining order book central government projects contributed approximately Rs.430 Crores, which is 8% and state government projects contribute at approximately Rs.999 Crores which is 19% and other constitute approximately Rs. 1,300 Crores which is 26%.

In terms of order books breakup road projects constitutes to Rs.3,656 Crores that is 70% and irrigation projects constitutes Rs.1,574 Crores that is 30% of total order book. Our combined order book including 1 HAM project in Tamil Nadu and 2 irrigation projects in Telangana that have not been included in the order book which is Rs.2,658 Crores as on March 31, 2020 which makes the total order book position to Rs. 7,888 Crores, which gives a reasonable visibility of 2.5 years to 3 years. We are awaiting the new bid process of NHAI and we will chart out our bidding strategies accordingly.

COVID-19 impact. After receiving the required approval from government authorities, the company resumed toll collections of all toll plazas on national highways and commenced operations across projects sites. The company is following all directives and guidelines issued by various authorities including safe distancing for safe-guarding health of the work force to contain the spread of COVID-19. We faced some logistical issues and with respect to raw material availability during the initial days post relaxation of lockdown. However, the same has now normalized. During the period company bagged orders worth Rs. 2,000 Crores approximately thereby further augmenting our order book position. As the COVID-



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19 pandemic and the subsequent lockdown is classified as a force majeure event by government authorities, we do not expect any significant impact on the business due to the non-fulfillment of various obligations as per the existing contracts and construction agreements. Further company is in a comfortable liquidity position to meet its future financial commitments and has not opted for moratorium with banks. We are confident to continue to meet all our debt obligation. We will be watching the situation for the next two quarters before embarking on future guidance.

Now I request Mr. K. Venkatram Rao to present the results for the quarter and full year ended March 31, 2020.

K. Venkatram Rao:

Good afternoon Sir. Thank you. I hope that you have all gone through our results and the presentation that we have circulated and uploaded on our website. I would now present the standalone results for the quarter ended March 31, 2020.

The total revenue stood at Rs.675.6 Crores in Q4 FY2020 as against Rs. 715.7 Crores in Q4 FY2019. Our EBITDA for Q4 FY2020 stood at Rs.146.8 Crores indicating a growth of 2% year-on-year with EBITDA margin of 21.7%. PBT before exceptional item in Q4 FY2020 is Rs.85.9 Crores versus Rs.103.9 Crores in Q4 FY2019. Our interest cost was higher during the quarter due to interest on mobilization advance from the HAM project and increased CC utilization during the quarter.

Coming to standalone results for the full year ended March 31, 2020, the total revenue stood at Rs.2,244.2 Crores in FY2020 indicating a growth of 5% year-on-year. Our EBITDA for FY2020 stood at Rs.487 Crores indicating a growth of 14% year-on-year with EBITDA margin of 21.7%. Adjusting for the exceptional item related to Walayar Tollways and KNR Chidambaram our adjusted PBT grew by 4% year-on-year to Rs.304.4 Crores.

On balance sheet side as on March 31, 2020 the debt on standalone basis Rs.230 Crores including promoter loan up to Rs.180 Crores and debt to equity stand at 0.14 times. Our working capital days increased to 53 Crores due to delay in collections from debtors.

Summary for the consolidated performance is as follows, the Q4 FY2020 revenue stood at Rs.730.1 Crores, EBITDA grew by 4% year-on-year to Rs.187.4 Crores. Adjusted PBT was Rs.99 Crores. In FY2020 revenue grew by 7% year-to-year to Rs.2451.7 Crores, EBITDA grew by 16% year-on-year to Rs.622.4 Crores. Adjusted PBT grew by 14% year-on-year to Rs.335.2 Crores. On the balance sheet side, the debt is Rs. 845 Crores including promoter loan of Rs.180 Crores and debt to equity on consolidated basis stands at 0.53 times.



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With this, we will now open the floor for question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. Please note that K. Jalandhar Reddy is available till 4:00 pm post which the Q&A session will be attended by Mr. S. Vaikuntanathan and his team. The first question is from the line of Niteen Dharmawat from Aurum Capital. Please go ahead.

Niteen Dharmawat: Thank you for the opportunity. My first question is what is the situation of migrant labors and how it is impacting our business, approximately what capacity the construction sites of KNR are currently working?

Jalandhar Reddy: The migrant labors are really a problem today due to starting of trains, labours many have started going to their own native places and most of the people have left. We are now left with 20%-30% of the laborers at the sites which we are trying to hold on to them and we are again already, I think certain laborers who have gone in the time of Holi, we were asking them to come back and resume work, they are responding but they were not able to say the date when they can come. We are trying to bring them back because once they come up to the new state, that means they are all coming from Jharkhand, Bihar and Chhattisgarh and all other places, so once they reach to these project sites like in Tamil Nadu, Karnataka, Andhra Pradesh, Telangana and Maharashtra and other places, they become the workers who are coming to the new states, so kind of that there are certain barriers there, the other state peoples are quarantined for 15 days, such rules are now there, certain conditions are there and they have to come to major places like Chennai, Bengaluru and all. Chennai is already under lockdown situation so they are unable to release the labor from their places. So, such fears are there. So we will have to wait till this month end, I think after month end we are hearing that things may get relaxed or it could worsen, we do not know really but I can answer straight forward that the projects are running at an efficiency between 50% to 60% to 65% depending on each sites, some site has 50% progress, some site has 65% progress but nothing more than 65% progress is happening today.

Niteen Dharmawat: Alright Sir. My second question is related to this only, what is the revenue guidance for financial year 2021 and operating margins if you can give some indication on that and what is the situation of the raw materials prices, specially cement and availability of raw material?

Jalandhar Reddy: The raw material prices have gone up as you know cement, steel and all have heavily gone up. The fuel is a little bit under control but we cannot say how long it will be there. For guidance and all again, see with this COVID situation we are really suffocated to say something, if I say something and if I go wrong tomorrow what would happen. So, kind of



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let us not put these issues into some guidance thing and all but we have been trying to do our best, we are all still monitoring the project sites and seeing the issues, directly motivating the people to work. So, more or less my assumption is that it will be less clocking in this first quarter because already June is getting complete, so July-August-September is also going to be a rainy season, so we do not expect much in the first two quarters but as the order book is more than Rs. 7,000 Crores, we can do good work in the third and fourth and I do not hope COVID situation also go beyond this second quarter.

Niteen Dharmawat: Got it Sir. Which company we procure the cement from?

Jalandhar Reddy: We are procuring from Birla, Ultratech and Ramco. India Cement contract we are taking, we do not procure from a single supplier, wherever we get a lesser price we are procure from there, even Bharathi cement we are procuring.

Niteen Dharmawat: Got it Sir. Thank you.

Moderator: Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

Ashish Shah: Thank you for the opportunity. My question is on the irrigation projects, one of the orders is lift irrigation project, just wanted to get a clarity on what kind of margins that one should expect from the new irrigation projects that we have got of Rs. 2,300 Crores?

Jalandhar Reddy: Actually the irrigation projects has little bit higher margins than road sector but because of the delay that is happening in receiving the payment may be we are again coming back to the same old kind of 13-14-15% level, that is the real feel what I am getting right now but the quoted price is very good because the major work is being with major machinery oriented things and entire machinery fleet we are owning, so we hope some good margins out of here but the old projects we are unable to get a payments in time but however the new projects which you are talking about lift irrigation and all, they have the bank tie up so we hope to get timely payment and the margins are higher than the road projects.

Ashish Shah: Sir I asked this because one of them is going to be subcontracted back to back we are not going to execute that one of the project HES one?

Jalandhar Reddy: That decision is not yet done and when I spoke to you last time I have been mentioning that I may give it but recently what happened the reservoir which is running at a very slow pace because the payments are not assured and Government of Telangana is not pressurizing us to work there, so those things we really want to focus there, where we get the payment and



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try put the work, so definitely I am not right now thinking to give any sub contract in this. I engaged some people so that not much of difference is there on the margin and our entire equipment is engaged.

Ashish Shah: Right, so as of now the view is that it will generate slightly higher margins and what previously executed margins generated for us?

Jalandhar Reddy: Yes, it is a bit higher.

Ashish Shah: Okay Sir, last question on the payments I mean we know that the payments did get delayed in the March quarter but any view that we have today in terms of what is the total outstanding on the accounts of irrigation projects and by when do we expect to receive them, thank you?

Jalandhar Reddy: Yes, Rs. 500 Crores nearby is the outstanding with Telangana government including uncertified bills.. During March we have put our bills of about Rs. 200 Crores which was supposed to be paid by March end but because of this lockdowns and all, the state government totally taken a deviated, so we were not getting that payment and I am quite sure in another one or two month we should get this payment, however we are even continuing to work because we do not want to suffer if I keep the equipment ideal and all the salaries and installment will eat away our margins, as the margins are reasonably okay, we are trying to work and see that situation is going good.

Ashish Shah: Sure Sir, thank you very much.

Moderator: Thank you. The next question is from the line of Faisal Hawa from H.G Hawa Company. Please go ahead.

Faisal Hawa: How are you taking this whole situation of this prime lending rate of banks going down and HAM projects, the banks are really not passing on the interest rate, so how are you placed on this and do you feel that the ordering from the Government of India, itself would also suffer due to their revenues going down overall from GST etc.?

Jalandhar Reddy: Yes. Actually the risk is there anyhow, we are just trying to analyze the situation because straight forward losses are there on this account for the HAM projects, however during the execution period the effect straight forward can be calculated so we will have to take that much impact over these projects and really the situation we are trying, anyhow NHAI is accepting to take this event as force majeure so we will have to put the future claims and wait for the things to happen. I mean to say that toll project they have committed to give



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some EOT, that is extension of times and all, so that could not solve the purpose right now but it may increase visibility for future.

Faisal Hawa: You mean to say they will give us more time may be 21 years or something?

Jalandhar Reddy: Yes. Period is increased, that is what they are committing to do it, we will have to check it.

Faisal Hawa: Sir on the Telangana government payment you feel that they will be able to find some other resources like they have been promised extra funding from RBI to the tune of at least 3% to 4% of their state GDP, so you think that could help us in getting our payments out?

Jalandhar Reddy: That is what the hope is. That is only the hope left. Anyhow Telangana Government is also generating good income because as it is the state is rich and having good resources, so there should not be any big problem..

Faisal Hawa: Okay.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Good afternoon Sir and congratulations on a decent set of numbers. My first question is on Telangana, I believe that they were giving Rs. 25,000 Crores worth of orders which got finalized in April and May, is the number right and is there something which is remaining, secondly on the Kaleshwaram I think the deadline is only 1.5 years left for the COD and are there any other orders left for Kaleshwaram?

Jalandhar Reddy: Yes, I think most of the Kaleshwaram have been called for, there has been certain link or tributary projects which have been pending now, so most of the Kaleshwaram is done with this. Recently what we were talking about that Rs. 20,000 Crore/ Rs. 25,000 Crores also is from the Kaleshwaram only, so it is now done.

Mohit Kumar: Okay Sir anything remaining on the other lift irrigation schemes which will come in this particular financial year?

Jalandhar Reddy: Some of other schemes are also there. Andhra Pradesh is coming out with some Rayalaseema development projects and even Telangana state is looking to divert Godavari again to this other parts where it is not covered some Ranga Reddy districts and all other places, so that also I am hearing the schemes are there to attend on that.



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Mohit Kumar: My second question pertains to Indian Government of the NHAI the awarded number of concession for road and EPC have you availed any of them and have you seen any movement in the terms retention money releasing EPC guarantee or something and is there any COVID loan you are trying somewhere?

Jalandhar Reddy: Sir actually here the thing is each project has been applied, so we have started applying on each project even twice, only the cases where the contractors are not under default those are only going to be extended to come up. So luckily, we do not have such situation where we are lagging and things are out of order. So, definitely we can put all these claims like getting the bank guarantees released and like getting retention money released also can be done. The other EOT's are also accordingly have minimum three months and maximum for four months or six months that also has been worked out but as the COVID is still continuing and things have not come to a conclusion that is another thing. As for these orders concerned the BOT orders and all NHAI is again they are ready to put forward all the new orders because there has been enormous delay due to COVID as well earlier also the land acquisition problems are still continuing, so it is a big challenge there, I do not say that they will be able to completely deliver as they are saying but they would deliver at 50% - 60% efficiency that is what I can say?

Mohit Kumar: Thank you Sir. Got it thank you.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Sharavan shah: Thank you and congratulations on continuously surprising positively for the EBITDA margin front and hope we will continue to surprise.

Jalandhar Reddy: Thank You.

Shravan Shah: Sir just wanted to understand last time we said that we may look for newer geographies MP, UP, Bihar, Jharkhand all these, so in that context and plus also whatever you are having understanding with or the interaction with the NHAI what kind of inflows are you looking at from the NHAI particularly HAM and EPC and from KNR perspective now how are we looking in terms of, I understand it is difficult to guide, but how much are we looking at in terms of the new HAM plus EPC?

Jalandhar Reddy: Sir actually I will go to the straightforward answer. Thing is that the order what we require NHAI is any how ready, they are saying they want to come up with the big project on this but we would require about say Rs. 3,000 Crore orders this year that is FY2020-2021 and



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because as you know that many of our HAM projects have been more than 50% cycled, almost all the projects like four projects which we have taken up they have reached near about 35% - 40% and few other have gone beyond 50%. So, definitely I would need to get new jobs for these teams at least and we have completed one Trivandrum project recently and that team requires some jobs. So around three to four projects I will be requiring. If the projects are bigger, I can club them but I am trying to bid on Rs. 3,000 Crores which we are really targeting from NHAI that is how things are. Second thing we have got enough order from irrigation so we may not be further focusing on irrigation because we are supposed to execute these and put our equipments in the same. In terms of guidance, looking at the first and second quarter we will be not be able to really guide what is going to happen. The efficiencies are really not up to the mark and today as I am on site probably almost one week I will be in the site trying to motivate people, trying to put them on the works and all such things are going around. Many projects are also clocking at 45% - 50% or so, 45% is very less they are only in small areas but 50% to 65% it is between that range.

Shravan Shah:

True and particularly now we have taken this two irrigation JV projects just wanted to understand in terms of the capex last time we said that if you get the irrigation projects it would be at Rs. 200 Crores kind of. So I just wanted to set that and also at the same time what would be the capex and secondly in terms of the quarterly depreciation because irrigation normally have a higher depreciation so current run rate of Rs. 53 Crores– Rs. 54 Crores can it increase to Rs. 60 Crores per quarter for next couple of quarters except may be monsoon quarter?

Jalandhar Reddy:

On the capex front we do not require to do much in FY2020-21, only on the maintenance capex of around Rs. 50 Crores we are expecting to happen in between. But next year that is may be after 2021 we would have to invest quite good on the lift irrigation scheme and the pump house mobilization so that will be coming in second phase of these projects so may be the next year we will have do quite a good amount of capex.

Shravan Shah:

So, these two, the latest irrigation projects.. What kind of execution are we expecting in this, may be in the last two quarter or may be in full FY2021?

Jalandhar Reddy:

Sir, actually it may start from this quarter but being rainy season quarter already rains have started so not much of hope, but we will try to do whatever the best we can do in this. But the strong results can be expected from third and fourth quarter itself.

Shravan Shah:

Okay and we do not need any capex for both the new irrigation?



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- Jalandhar Reddy:** Not much actually Sir, Rs. 50 Crore we have already estimated plus some maintenance capex in the roads will happen, every year we are investing around Rs.30 Crores – 40 Crores because age old equipments in time bound projects is becoming very unviable equation to keep them. So those we are discarding, and we are trying to replace.
- Shravan Shah:** Okay so Venkat Ram Sir quarterly depreciation Rs. 55 Crores – Rs. 60 Crores will continue?
- K. Venkatram Rao:** Based on our existing net block of the irrigation projects, that = any way we have to execute in these two quarters so overall you can say around Rs. 50 Crores per quarter will be there.
- Shravan Shah:** Okay. I have couple of more questions I will be coming back in the queue. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Sir this year employees cost, and other expenses are too much high. What is the reason Sir?
- K. Venkatram Rao:** Because this year what happened, we have taken alot of projects, whatever HAM projects are there they have contributed execution in this year and definitely there we have taken lot of employees this year that is why execution is more and all execution in this HAM projects are almost in full fledged. So that is the reason being employee cost is more.
- Ravi Naredi:** What about other expenses?
- K. Venkatram Rao:** Compared to last quarter it is some Rs. 60 Crores to Rs. 89 Crores, so basically in this HAM project we have give that design and consultancy fees to the consultants for HAM Projects. So that has contributed more actually so that is a reason why this other expenses have gone up.
- Ravi Naredi:** Sir this note number 5, why the company has impaired its investment amount Rs. 6.71 Crores?
- K. Venkatram Rao:** Actually you know this we have signed a share purchase agreement with the Cube for sale of our Walayar project so in that Walayar project how much money we have put and how much deal we have done, so around Rs. 6.7 Crores that is the loss was there in this project. So that is why we have booked that impairment.



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- Ravi Naredi:** Okay and Sir last if you can allow me, this arbitration claim anything more possible in near future?
- K. Venkatram Rao:** Sir definitely around Rs. 540 Crores of our share in arbitration claims are pending so we have to see really how it will work on this situation because now mostly our arbitration in the High Court because we have got award for all our arbitration claims and now the party has gone to the court actually, now you know that court is also not working and they are taking only important matters so really, we have to see how it will move in near future.
- Ravi Naredi:** Okay all the best.
- Moderator:** Thank you. The next question is from the line of Avinash from Spark Capital. Please go ahead.
- Avinash:** Thank you for taking my question Sir. Sir first one is on execution loss that we are facing in Q1 and Q2. Can you throw some color on when exactly we can see this ramp up in execution which we can recover over say Q3, Q4 or FY2021, how long it will take to recover that loss in execution?
- K. Venkatram Rao:** As we already said that Q1 is almost over and Q2 is rainy season, so what all the ramp up is there that can happen from Q3 onwards only. So definitely Q3 and Q4 is going to be strong what we are thinking right of now, but we have to really see what this COVID impact is to be, how long it is going to be there in the future. But as of now we are thinking that from Q3 onwards we can show some recovery.
- Avinash:** Okay understood. Sir the next one is on how different is irrigation project execution productivity, is it better than the road projects or it is more or less same?
- K. Venkatram Rao:** Execution wise it is the same only because what are the machineries that are required in the irrigation project and both are almost the same type of machinery we require. But what are the recent irrigation project what we got actually it is little bit different, meaning we have got a pump house work ,so that work is not going to start now it will take almost one year from now onwards. But what are the new irrigation projects we have got that is different from our old irrigation projects.
- Avinash:** Understood. Sir lastly, is there any other state tenders that we have already in hand or that we are working on or are very close to be awarded which we are waiting for next one or two months?



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- K. Venkatram Rao:** Actually, in one of the states, Tamil Nadu, we are working for one annuity project. So, we have already tendered and we are just waiting for that results.
- Avinash:** Okay any other irrigation opportunity?
- K. Venkatram Rao:** Nothing Sir we are not looking further
- Avinash:** Okay that is it Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Keshav Lahoti from Angel Broking. Please go ahead.
- Keshav Lahoti:** Thank you for the opportunity. How do you see the ordering pipeline for NHAI is going to be for this year, do you think it will be strong or you see they will short of funding with the government and you see a muted kind of pipeline?
- K. Venkatram Rao:** From our interactions with NHAI officials, we have got the guidance that this year they are targeting from between 4,000 kilometer to 4,500 kilometer. But a lot of tenders which they were supposed to open are getting postponed. Even in the last two months that we are trying, around 5 to 10 tenders that we are focusing have got postponed. Once this environment improves, we are hopeful that NHAI will achieve this target of 4,000 kilometer in this year.
- Keshav Lahoti:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Karthi Keyan from Suyash Advisors. Please go ahead.
- Karthi Keyan:** Good afternoon Sir. Just wanted to understand whether you are counter parties for these two irrigation projects Megha and Navyuga, is that Telangana Government or it is Megha and Navyuga, so how exactly we achieve collections, some thoughts please?
- K. Venkatram Rao:** What we got from Megha and Navyuga is on the background because upon the government's insistence we got this project, so definitely money has to come from the government to that counter party and from that party money will come to us. So, there is no issue as per se as far as the understanding is there only their issue is collection from the government itself. So, what are the outstanding receivables there as of March we are not able to collect from the department, but there is no issue as far as collection from the respective parties what we can say.



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- Karthi Keyan:** Yes, and these new projects as this the pump house construction will that be outsourced or do you have in house competency?
- K. Venkatram Rao:** That we will do.
- Karthi Keyan:** Thank you so much Sir. Best wishes.
- Moderator:** Thank you. The next question is from the line of Rita Tahilramani from Invesco Asset Management. Please go ahead.
- Rita Tahilramani:** Congratulations on good set of numbers. In terms of EBITDA margins could you help us understand FY2020 how much is the arbitration claims?
- K. Venkatram Rao:** This year actually in our note we have mentioned that we have received arbitration of around Rs. 61 Crores out of that Rs. 22 Crores is pertaining to the interest side and balance is the money towards the work done out of that around Rs. 12 Crores already we have accounted in the previous year. So, you can say the differential is only around Rs. 20 Crores to Rs. 23 Crores that has been booked.
- Rita Tahilramani:** Okay and what could be the margin trajectory say in Q1 or is also in FY2021 because there are challenges in terms of execution as Sir rightly pointed out there are newer challenges and there would also be cost overruns. So, could you help us understand what could be as you envisage the margin target incrementally?
- K. Venkatram Rao:** Definitely in this quarter Q1, Q2 there will dip in the margins because lot of fixed expenses that we have to incur versus corresponding revenue. We could not able to generate it and we have to incur little bit expenditure to retain our work force also. what Sir has told so definitely we can say that this quarter we may not achieve actually there may be around 200 and 300 bps down fall in the EBITDA compared to last year.
- Rita Tahilramani:** Okay because also we accounted similar numbers which is there for FY2021 also right?
- K. Venkatram Rao:** I am talking about quarter actually Q1 and Q2 will be there and definitely we are thinking that from Q3 onwards we will ramp up our turnover. So, from Q3 onwards we should achieve what we are achieving as of now.
- Rita Tahilramani:** Secondly, I missed the number in terms of equity invested and could you therefore give the breakup of how would this pan out for 2021-2022?
- K. Venkatram Rao:** What was in 2021-2022 or 2020-2021?



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- Rita Tahilramani:** How much has been invested till date. In FY2020 how much has been invested till date?
- K. Venkatram Rao:** We have invested as of now to around out of Rs. 578 Crores of our equities we have invested around Rs. 200 Crores.
- Rita Tahilramani:** Okay and how much would be in this year?
- K. Venkatram Rao:** Around Rs. 378 Crores that we have put actually in out of that around you can Rs. 250 Crores we have to put in this year.
- Rita Tahilramani:** Okay. Sir in terms of working capital you rightly explained the debtor side but could you also help us understand why has there been an increase in term of creditors in fact in the presentation itself there is an increase from 20 days to 45 days. What could be the reason for that?
- K. Venkatram Rao:** Generally, what happens that suppose we not able receive the collection from the department corresponding to the payments we have to make, so we will also negotiate that. So, definitely we have to make some link to the creditors. So, that is the only mechanism. We will have to reconcile our working capital cycle. Corresponding to the debtors we are not able to realize ,we accordingly have to hold some payment to the creditors and once realized from debtors, is we will release payment to creditors.
- Rita Tahilramani:** Okay and what is the 3H land acquisition status on your KSHIP project and the Oddanchatram project where we are yet to receive FC?
- K. Venkatram Rao:** This KSHIP project is having around 72% of land because there is no 3H because land has to be acquired by the government, land has to be purchased by the government so 22% land is there at this KSHIP project and as far as Oddanchatram around 50% land is there as of now. So, we are expecting that in next two month we should be able to get the appointed date to these projects.
- Rita Tahilramani:** Okay you think appointment date will be received in next two months, right?
- K. Venkatram Rao:** Next two month.
- Rita Tahilramani:** Yes, that is it from my side.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.



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- Vibhor Singhal:** Good evening Sir. Sir basically I just have two questions from my side, one is what is the timeline for the sale proceeds to be received for the Walayar project from Cube?
- K. Venkatram Rao:** We have to get the approval from the NHAI as well as the lenders. So lenders approval we have got it and NHAI approvals in principal we have received, so we have submitted some undertakings after that we will get the final approval after that it may take around 45 days to receive the credit.
- Vibhor Singhal:** Okay so do we expect this to basically happen in the first half or may be second half of this year?
- K. Venkatram Rao:** No, we are expecting in first half.
- Vibhor Singhal:** First half itself?
- K. Venkatram Rao:** Yes.
- Vibhor Singhal:** Sure Sir and secondly in terms of the HAM projects, the three HAM projects that we have sold to Cube if I look at what we have invested so we have already invested almost 50% or more than 50% of equity in these project. So how does this take place now, does Cube will get more equity now now or what is the time on us towards the investment in this portfolio?
- K. Venkatram Rao:** Sir as per our contract agreement once 90% land is there and we have put our portion of the equity, Cube will start putting the money. So as of now what is happening, because we are also working out that, because Cube rate of money is little bit higher because now due to this COVID impact we are just seeing that whether if we are able to generate the funds with low cost we should get that money rather than taking Cube money. So, we are also really working on that and we will definitely take a call in this quarter.
- Vibhor Singhal:** So, till then we will keep putting in our equity?
- K. Venkatram Rao:** Yes. Our equity means, actually if we get the low-cost equity, we should put that money rather than putting the high cost money. So, we are just discussing, management is internally discussing that, and we will take call in this quarter.
- Vibhor Singhal:** So basically, it could also be a situation in which we invest 100% of equity in all the three projects and then Cube gives the money later after COD?
- K. Venkatram Rao:** Yes, that situation may also come.



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- Vibhor Singhal:** That is also possible right?
- K. Venkatram Rao:** Yes, that is also possible.
- Vibhor Singhal:** Sure Sir. Lastly my question is basically on the KSHIP Project. The three project you said that you will take a call but in terms of the remaining two projects you expect how to make the equity investment that you access on all these HAM projects this year and next year to be put in?
- K. Venkatram Rao:** Sir actually what a KSHIP project equity requirement is around Rs. 120 Crores ,around Rs. 100 Crores we have to put in this year and for the Palani project requirement is around Rs. 80 Crores say around 50% we have to put this year. So Rs. 140 Crores for these projects we have put and for other our three HAM projects where the equity requirement balance is around Rs. 170 Crores so out of that around suppose we are not going with the Cube we are putting the money so around Rs. 100 Crores we have to put.
- Vibhor Singhal:** Okay if we do not take Cube then Rs. 100 Crores this year and Rs. 70 Crores next year?
- K. Venkatram Rao:** Yes, correct.
- Vibhor Singhal:** Sure, Sir thank you so much.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Hi Sir, congratulations on good set of numbers. I think Reddy Sir said in the call that currently the irrigation debtors outstanding is Rs.500 Crores and at the end of the March quarter it was Rs. 200 Crores, is it right?
- K. Venkatram Rao:** For March it is Rs. 127 Crores means all irrigations put together, our irrigation project of Mallanna Sagar and all put together is around Rs.200 Crores irrigation was there as of March and as of now it is around Rs.500 Crores.
- Parikshit Kandpal:** So, you would have done the billing of around Rs.300 Crores for the irrigation project in this April, May and June as of now.
- K. Venkatram Rao:** Yes. We have done the bill and we have submitted to the department.
- Parikshit Kandpal:** That is fine, I am saying you have already reached, I mean like quarterly run rate is Rs. 600 Crores to Rs. 700 Crores of revenue if you have already done half from the irrigation



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projects so if I assume that new projects may add around Rs.150 Crores to Rs.200 Crores so we should take around the first quarter revenue close to around Rs.450 Crores. This is very good number, I do not know why you are sounding so low that the first half will be washed out, I mean compared to other companies it is almost 70% to 80% of your quarterly turnover which you will be doing and I assume that second quarter will be at least Rs.500 Crore which is usually your typical quarter and a monsoon quarter so first half is adding up to Rs.1,000 Crores and second half should be ideally Rs.1,500 Crores.

K. Venkatram Rao: What you are telling is correct, but we do not know this COVID how it is going to impact right now it is okay.

Parikshit Kandpal: Worse of COVID is already behind in terms of execution where the sites are shut down, now the sites have resumed that most of the people are positive on the labor returning from this month end and we are already at 60% to 65% so until and unless the second wave comes in I do not think that we should be able to degrow this year. This is what my analysis says.

K. Venkatram Rao: That is why Sir we do not want to commit actually and that is why we have taken all precautionary measures we are telling that we know that around Rs.450 Crores we can do in this quarter but still it is lower than what we thought.

Parikshit Kandpal: Next quarter would be close to Rs.500 Crores?

K. Venkatram Rao: We have to really see actually, we have to access.

Parikshit Kandpal: Okay. My second question was this financial date of Oddanchatram project has already happened right?

K. Venkatram Rao: We have submitted documents to NHAI

Parikshit Kandpal: What is the rate?

K. Venkatram Rao: It is a sub 9% .

Parikshit Kandpal: Okay, lastly on this arbitration part, so we were close to Rs. 500 Crores was in our favor, so these are in High Court so the consolation process is not being followed here right?

K. Venkatram Rao: It will take time because our award is in the different court so we have to really see now there is not much activities in the court so we are not expecting anything coming but we have to really see actually. This year we are not expecting.**Parikshit Kandpal:** On the



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tax rates, what is the tax rate for this year and next year and when are we likely to migrate to the new tax regimen?

K. Venkatram Rao: Right now in our books we have around Rs.34 Crores of MAT credit that we are going to utilize in this year so definitely from next year onwards we will go in normalized rates of new tax regime but this year we will continue to take that old tax regime only.

Parikshit Kandpal: So, 20% to 25%, can you allow 25% ETR for this year?

K. Venkatram Rao: Next year 25%.

Parikshit Kandpal: FY2020 what will be tax rate in FY2021?

K. Venkatram Rao: This year it will be around 25%.

Parikshit Kandpal: Okay. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Parvez Akhtar Qazi Edelweiss Securities. Please go ahead.

Parvez Akhtar Qazi: Hi. Just one question from my side. What is the equity that has been infused in our projects in FY2020, I mean the year gone by?

K. Venkatram Rao: This year how much we have put?

Parvez Akhtar Qazi: Yes.

K. Venkatram Rao: Around Rs.100 Crores.

Parvez Akhtar Qazi: Thanks, that is it from my side.

Moderator: Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

Ashish Shah: Thank you again. Sir, I just wanted to come back to the new irrigation projects so we know that in the Navyuga project there were certain type of issues and I think those continue till date, so first if you can start with that and because we understand where we are in terms of securing the right of way in that project and then as far as the two new projects are concerned what is the status of the right of way so realistically when do you think that we can start seeing material execution in those projects?



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- K. Venkatram Rao:** In Navyuga project, the project length is around 4 km entire, out of that we have around 1 km land available and balance land actually we are expecting in another three months to four months. So, from this year that project is going to start contributing the revenue but that is also dependent upon how as Navayuga Project is coming under Palmuri irrigation and it is a government budgeted project so based on government funding also we will execute the work and for that we have already raised first bill from government actually, so we are expecting the collection, so that is why all irrigation project is based on how government funding is there so based on that the project will move but what we are expecting is that what are the ROW issue in that project is going to be completed in next three months to four months.
- Ashish Shah:** Sure, and ROW on the newer projects, the Kaleshwaram one.
- K. Venkatram Rao:** New one. They are estimating that. Because recently we only signed the agreement now next one month to two months, we will get the clear visibility on that.
- Ashish Shah:** Right. Coming to the Walayar project sales so there we did say that we expect cash to come in first half, I just wanted to check if there is any indication by the Cube to renegotiate on the valuation given what has happened to the traffic or the valuation committed stays and that will not change.
- K. Venkatram Rao:** Cube has asked because the collections have reduced but initially there is no clarity from the government but later government has come with the notification that what are the loss in toll will be there they will compensate through EOT so initially Cube has come with that mind but after getting this circular so definitely we have to sit with them and we have to do the final negotiation and close that deal but both the party Cube and KNR want to close that deal and we are expecting that in the first half the deal will be closed.
- Ashish Shah:** Okay and lastly on the Oddanchatram project where we have been expecting the appointed date for sometime now but is getting delayed so now given where we are in terms of the state machinery not fully functional, do you think the appointed date can come in two months or it can probably get stretched to four months or six months.
- K. Venkatram Rao:** Now, NHAI is functional that we are expecting appointment date in two months.
- S. Vaikuntanathan:** There the land acquisition is delayed because of the COVID and in the next two months date will also come.
- Ashish Shah:** Okay, so after monsoon we can positively look at revenue to come from this.



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- K. Venkatram Rao:** Yes, correct.
- Ashish Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from AMSEC. Please go ahead.
- Amber Singhania:** Hi Sir, just one clarification, you mentioned this Kaleshwaram Project, the irrigation project both the project which has not been added in the order book it starts from which month or which quarter?
- K. Venkatram Rao:** Next quarter only because anyways we have signed the agreement recently, and we have to get approval of all the designs and everything so definitely it will start from next quarter only.
- Amber Singhania:** So, both the projects will start from next quarter itself?
- K. Venkatram Rao:** We are expecting that.
- Amber Singhania:** Secondly, on the broader side when we are saying pipeline from NHAI is good and 4,000 km of road is expected by NHAI this year, if you can give some idea about the tenders which are already been submitted what kind of quantity is there and by when we are expecting it to get open in the near future, what size of tenders are expected to be open?
- K. Venkatram Rao:** What are the tenders are there because they have identified around 20 tenders, of around Rs.20,000 Crores but it is getting postpone Out of that we have also identified five to six projects so we want to bid this actually but this project is continuously postponing from the last month itself. So, definitely there is a good pipeline we are expecting from NHAI. Once this postponement will be stopped they will start tendring.
- Amber Singhania:** Have we submitted any bids at present, what is our bidding pipeline as such, whatever we bided?
- K. Venkatram Rao:** It is getting postponed, we are not able to bid , we have identified six projects, but we are not able to bid it as it is getting postponed..
- Amber Singhania:** Okay and how is the similar situation from the state side?
- K. Venkatram Rao:** State sides, really we are not looking for whatever the irrigation we have got now is from the states only. We are looking for the irrigation only and we have a sufficient order book



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for this year from irrigation, so this year we are not looking for any irrigation projects. Now we are only looking for the NHAI EPC and HAM projects only.

Amber Singhania: Fine. Thank you.

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

Jiten Rushi: Good evening Sir. Thanks for taking my question and congratulations on good set of numbers. Sir, this Rs.500 Crore which you said receivables as on date, as on March the receivables were high, so the receivables included Rs. 127 Crore of irrigation and the balance I am assuming it is from the road?

K. Venkatram Rao: Around Rs.200 Crores receivables from the irrigation put together, Mallanna Sagar is Rs.127 Crore and other irrigation projects is there, out of that around Rs.212 Crores of Tirumala Projects receivables are there out of Rs.476 Crores and that is the SPV company and we have to go for the debt drawdown. In that project we have completed around 60% of work but we have not gone for it, now this quarter and we are planning to go and we will do actually, so once this Rs.200 Crores we will receive then debtors will be drastically reduced.

Jiten Rushi: So far in Q1 we have done almost Rs.300 Crore of work in irrigation, so total Rs.500 Crore is outstanding as on date in irrigation, I am right?

K. Venkatram Rao: Yes, correct.

Jiten Rushi: One more thing I would like to know what is the monthly fixed cost run rate and also raw material cost as said in opening remark has gone up so are we covered by escalation by most of the project or how the things are going to shape up moving forward?

K. Venkatram Rao: Basically in our work order book 50% is the HAM project, HAM project has the fixed EPC so there is no escalation, the escalations are just covered only in EPC projects means this NHAI EPC projects, whatever HAM projects are there, there is a fixed price EPC because SPV is giving EPC contracts to KNR so you can say 50% is overall escalation.

Jiten Rushi: And irrigation also we have one escalation?

K. Venkatram Rao: Pardon Sir?

Jiten Rushi: Irrigation project also we have escalation, if yes than how much?



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- K. Venkatram Rao:** Irrigation is as per the contract is there, but it can not be 100% pass through because they are all star price contract and around 50% to 60% will be generally pass through. It is not completely pass through.
- Jiten Rushi:** Then we can see some impact on the margins because of this raw material cost going on in Q1.
- K. Venkatram Rao:** Q1 definitely some impact will be there, we are working out.
- Jiten Rushi:** Last thing, what is the fixed cost per month, monthly fixed cost?
- K. Venkatram Rao:** Around Rs.15 Crores will be there because Rs. 10 Crores is the salary and other all put together around Rs.15 Crores per month is there.
- Jiten Rushi:** Rs.15 Crores is the monthly run rate of fixed cost.
- K. Venkatram Rao:** Yes.
- Jiten Rushi:** Sir, any cost control measures now during the COVID like employee cost reduction or another cost control measures which we see helping in reducing of the fixed cost, at least as of now Sir?
- S. Vaikuntanathan:** It is being worked out because we have to follow the governments guidelines and in tune with the guidelines it is being worked may be this quarter end will be finalizing how to do the cost cutting.
- Jiten Rushi:** This arbitration you are talking about Rs.500 Crore is standalone or last time also you had given arbitration which was in JV and spending so what is the arbitration this Rs.500 Crore is only for standalone or there is?
- K. Venkatram Rao:** That is KNR share, in JV it is around Rs.800 Crores but KNR shares of that comes to Rs.540 Crores. It contains number of projects.
- Jiten Rushi:** Okay got it. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Rachit Kamath from Anand Rathi Shares and Securities. Please go ahead.



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- Rachit Kamath:** Good afternoon Sir and thank you for giving me this opportunity to ask you a question. Congratulations on good set of numbers. Sir, I need a few data points relating to unbilled revenues at the end of FY2020 and if possible, a split of that in terms of road and irrigation?
- K. Venkatram Rao:** Sorry we do not have it handy right now.
- Rachit Kamath:** Sure, it will be very helpful. I had one more question, like you said that we were looking at five to six projects in NHAI which were getting postponed on a regular basis, can you just give me a split as to what was the EPC in that, what was HAM and what is the value?
- K. Venkatram Rao:** All are HAM only. Out of that is three are in Tamil Nadu and one in Andhra Pradesh and one in Telangana.
- Rachit Kamath:** Okay and any value to this Sir?
- K. Venkatram Rao:** Value as put together around Rs.6,000 Crores to Rs.7,000 Crores.
- Rachit Kamath:** Sure Sir and regarding the mobilization what was the value that was there like we had as outstanding at FY2020 and given the fact that we have almost Rs.2,600 Crores kind of pending orders that could not be added, what will be the options we can take up on these projects?
- K. Venkatram Rao:** Sir, mobilization advance all SPV HAM projects we have taken because we have done the financial closure and the Somwarpet we have drawn only 50% and as of now only Rs.60 Crores mobilization is spend in Somwarpet and about Palani is yet to start.
- Rachit Kamath:** So, how much will be there at Palani?
- K. Venkatram Rao:** Palani we will give around Rs.60 Crores more or less.
- Rachit Kamath:** Anything on this irrigation project?
- K. Venkatram Rao:** There is no mobilization advance in irrigation projects.
- Rachit Kamath:** Okay sure. I think this is the question for all, can you give outstanding order back log for some of the irrigation project like Navayuga and the other Megha Engineering order, Pollachi and all these?
- K. Venkatram Rao:** For Megha it is Rs.518 Crores, for Navayuga it is Rs.847 Crores.



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- Rachit Kamath:** Pollachi was there, then few of the others?
- K. Venkatram Rao:** Pollachi is around Rs.43 Crores.
- Rachit Kamath:** Some of the older road projects also I suppose that were pending with us I think Hubli?
- K. Venkatram Rao:** These were already there in presentation. Madurai, Ramnathpuram almost completed.
- Rachit Kamath:** Okay, Ramnathpuram is completed. Okay thanks a lot and congratulations.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capitals. Please go ahead.
- Shravan Shah:** Just a clarification, initially we said that in one HAM projects in Tamil Nadu we bided, is it a NHAI project or state and then we said that we have just identified five to six HAM projects that you have recently just now you said?
- K. Venkatram Rao:** It is a state annuity project, it is not included in that six projects what we have identified with the NHAI.
- Shravan Shah:** Okay, so this is in terms of the value broadly will be?
- K. Venkatram Rao:** Around Rs.500 Crores.
- Shravan Shah:** Okay and the structure would be the same 40:60 like NHAI or it will be different like?
- K. Venkatram Rao:** It is a pure annuity type of project.
- Shravan Shah:** Okay pure annuity and not a HAM, okay. Got it.
- Moderator:** Thank you. The next question is from the line of Channa Avinash from Spark Capital. Please go ahead.
- Avinash:** Sir, other road projects I just wanted to know is there any movement in the road order backlog?
- K. Venkatram Rao:** A of March there is no execution but, in this quarter, we are expecting around Rs.60 Crores turnover in both the projects put together at least.



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Avinash: Okay and other road projects in Arunachal Pradesh any movement, and in Thiruvananthapuram?

K. Venkatram Rao: Arunachal Pradesh is same only Rs.93 Crores. If you ask project wise I can give.

Avinash: Thiruvananthapuram?

K. Venkatram Rao: Trivandrum is Rs.26 Crores.

Avinash: Okay and this Ramanthapuram?

K. Venkatram Rao: Ramanthapuram, this Madurai Ramanthapuram is over.

Avinash: Okay and on the irrigation side K P Sagar and Yedula has it completed?

K. Venkatram Rao: K P Sagar will be around Rs.4 Crores and Yedula is around Rs.12 Crores only.

Avinash: Sir, if you could clarify our share in the new irrigation projects, the numbers that mentioned in the presentations are total value or the value towards our share?

K. Venkatram Rao: In the presentation where we have put this order book it is our share only.

Avinash: Okay understood.

Moderator: Thank you. The next question is from the line of Vibhor Singhania from Phillip Capital. Please go ahead.

Vibhor Singhania: Thanks again. Just a quick question from my side on an overview of the activity right now, so you mentioned that right now our sites are running at 50% to 65% capacity right now, so one question is what was the execution which happened in April and May, April I would assume it was close to zero so what was probably in April and May and when do you expect this 50% to 65% in your assessment to reach 100%?

K. Venkatram Rao: Just as Reddy Sir also told that from April, this execution has happened in this week only. So, now migrant labor issues are there still we are not able to get much labors still we are trying to retain the employees and we are trying to retain the work force and get new labors but we are expecting this from Q3 and Q4 there should be ramp up in the turnover so really, we have to see actually how this COVID is going to impact further if by seeing today such situation we are expected that from Q3 and Q4 onwards, we shall be able to get actually on full capacity.



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- Vibhor Singhania:** Sir, April and May was largely zero execution, is that what you are trying to say?
- K. Venkatram Rao:** It is very less. We are able to do only 20% to 30% only execution.
- Vibhor Singhania:** Sure Sir. Thank you so much for taking my question.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir, just wanted to know what will be our retention money which is lying with NHAI right now?
- K. Venkatram Rao:** All put together around Rs.150 Crores.
- Parikshit Kandpal:** So, because there is a talk that NHAI may return some of the retention money as a relief measure in the COVID so how much do we expect to get back, any sense on that?
- K. Venkatram Rao:** Rs.150 Crores is all put together, I am talking from the balance sheet perspective so out of that what we are eligible to get from the NHAI definitely we will apply to NHAI and get it actually there is no issue on that. The circular has come very recently, we are applying to the NHAI and getting this work done.
- Parikshit Kandpal:** Any sense on how much can we get or is it too early to say as of now?
- K. Venkatram Rao:** We can get entire dues because what Reddy Sir also told is if there is no contract default obligation so definitely we will get from the NHAI and as of now we are not seeing that because not any single contract we are defaulting so definitely what are the dues as of date we are going to get it.
- Parikshit Kandpal:** Okay, I will take that number separately from you. Secondly, now we had been getting payment even the branch and the other things from NHAI on milestone based, so now we have made that monthly so what kind of improvement in the working capital we are expecting from the HAM projects?
- K. Venkatram Rao:** Definitely but they have only given the circular but so far, the implementation is not happened so we are just discussing with the NHAI how it is going to be implemented because it is very good effort from the NHAI to put that circular but we are still actually working out with the NHAI how it is going to implement and what are the due amount is there we will definitely get.



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- Parikshit Kandpal:** So, you will get even whatever like if you achieve the milestone and it is still not due so you will get lumpsum kind of amount also based on the monthly kind of run rate.
- K. Venkatram Rao:** Monthly because they will give some percentage, right now because we are getting 10%, 20%, 30%, 50%, 75% now this milestone they will break into the monthly and then accordingly they will pay to us.
- Parikshit Kandpal:** Okay and this will be for what period, will it be like for whole period of the payment or only like six months or like what is the timeframe?
- K. Venkatram Rao:** Not specified in the circular.
- Parikshit Kandpal:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Faisal Hawa from H G Hawa Company. Please go ahead.
- Faisal Hawa:** Sir, you just said that Hyderabad Municipal Corporation Projects you have been able to also achieve some Rs.50 Crores to Rs.60 Crores revenue, so I find it very hard to believe that we have been able to achieve only Rs.250 Crores to Rs.300 Crores from some other road projects from HAM and all so rightly projected by someone that our revenue may even touch Rs.600 Crores because you said that the Municipal Project also Rs.50 Crore to Rs.60 Crore is processed, Rs.300 Crores is from irrigation, so Rs.250 Crores could be easily done from other road projects since you are saying that most of our migrant workers have left so what is the employee cost reduction that we are expecting in this quarter?
- K. Venkatram Rao:** There will not be any reduction in the employee cost. Employees, we are retaining all the employees, how then we reduce the employee cost.
- Faisal Hawa:** Sorry Sir, I meant wages for this contract workers?
- K. Venkatram Rao:** 60% of the labor are now there at this point of time obviously to this extent it will be affected, so we expect the labor to return only after the monsoon.
- Faisal Hawa:** Fair and about the revenue, if Rs.300 Crore is coming from irrigation so any outlook on revenues?
- K. Venkatram Rao:** Lockdown was there till April 20, 2020, so only after April 20, 2020 the work started. There may be some small piece of work started in irrigation and all so the billing and the other



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things subsequently it has to be made for May and other things, maybe by the end of June we will be in a position to assess how much bill has been certified and other things.

Faisal Hawa: I appreciate that. Thank you.

Moderator: Thank you. That was the last question of the conference. Now I hand the conference over to the management for closing comments.

S. Vaikuntanathan: Thank you everyone for your participation in our Earnings Call. In case of any further queries you may get in touch with Strategic Growth Advisors, our investor relations advisors. Thank you very much.

Moderator: Thank you very much. On behalf of KNR Constructions, we conclude this conference. Thank you for joining us and you may now disconnect your lines.