



“KNR Constructions Limited
Q1 FY2023 Earnings Conference Call”

August 12, 2022

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Moderator: Ladies and gentlemen, good day and welcome to KNR Constructions Limited Q1 FY2023 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 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 evening everyone. Thank you for joining us today on the call to discuss the financial results for Q1 FY2023. Along with me, I have Mr. K. Jalandhar Reddy, Executive Director, KNRCL, Mr. K Venkata Ram Rao, General Manager Finance Accounts, and Strategic Growth Advisors, our Investor Relation Advisors.

I would like to touch upon some important industry updates followed by a discussion on the company’s financial and operational performance. The pace of highway construction was affected during Q1 FY2023, owing to sustained inflationary pressure on the key raw material prices and other input costs. The pace stood at 22 kilometers per day compared to 25 kilometers per day on year-on-year basis. The pace is expected to remain subdued in Q3 FY2023 as well as due to the ongoing incessant rain.

The input costs have also started to soften and as a result we expect the pace of highway construction to bounce back from H2 FY2023 onwards. As per the rating agency, CRISIL the National Highway construction is expected to be 32 kilometers to 34 kilometers per day during the current financial year. As per CRISIL the Ministry of Road Transportation and Highways is likely to award 12,000 to 13,000 kilometers of National Highway projects largely under Bharatmala.

As for the new report the NHAI is planning to reduce the upfront payment made to highway construction companies by 50% by making changes in the existing HAM structure to 20% from 40%. Although this proposal is yet to be passed by the government this could result in a higher capital outlay by the private players. The NHAI is also focusing on the amortization of the operational highway which we believe is a positive sign for the whole industry as it will result into deleveraged balance sheet of the NHAI.



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Now coming to the updates on toll collections, the upward trajectory FASTag based on toll collection continued in June 2022 and stood at Rs.2576 Crores a growth of approximately 21% on a month-on-month basis, which stood Rs.2125 Crores in May 2020-2021. Daily FASTag base toll collections also reached all time high to Rs.143 Crores per day in June 2022. The growth in toll collection was mainly on account of lower base on year-on-year basis and improvement in commercial and passenger vehicle movement. The central government is intending to change toll using GPS technology and as per the news reports a pilot project to test this new method is already underway as per our Honorable Minister Nitin Gadkari, toll plazas would be completely replaced with GPS based toll collection system and toll should be collected via GPS imaging on moving vehicles.

Now coming to the key updates of the company, the presentation of physical progress as of June 30, 2022, for the HAM projects is as follows: Chittoor to Mallavaram is at 100% completion, Ramsanpalle to Mangalore is at 100% completion, Trichy to Kallagam is at 100% completion, Magadi to Somwarpet is at 59.1% completion, and oddanchatram to Madathukulam is at 68.3% completion, Ramanattukara to Valanchery bypass at 5.6% completion, Valanchery bypass to Kappirikkad at 6.4% completion. During the quarter the execution has primarily driven by HAM projects. Out of Rs.1098.51 Crores revised equity requirements for all the HAM projects, the company has already invested Rs.522.04 Crores as on June 30, 2022. The incremental equity requirement of Rs.570.47 Crores to be infused, Rs.305 Crores, Rs.160 Crores and Rs.105 Crores for FY2023, FY2024 and FY2025 respectively. You can refer to slide 23 and 24 of the investor presentation for detail on each HAM projects. I will now take you through the key highlight of the company.

The company has received financial closure for the project as follows. KNR Ramagiri Infra Private Limited HAM received financial closure from NHAI on March 30, 2022. The company has also received letter of acceptance for the construction of four lane road from IDA Pashamylaram Industrial Park to ORR worth Rs.34.26 Crores. The total collection for the Bihar project that is Muzaffarpur to Barauni the collection in Q1 FY2023 has been Rs.12 Crores.

Now coming to the order book position as of June 30, 2022, the company has an outstanding order book position of Rs.8585.9 Crores. EPC road projects and HAM projects stood at 74% of the total order book while irrigation projects constitute the remaining 26%. Client wise 30% of the order book from third part clients and the balance 44% is from captive HAM projects. The third-party order book on our non-captive order book which supports 56% of the total order book vision is skewed between state governments contracts which is 42% whereas 11% is from the central government and the balance 3% order book from other private players. The total order book position is Rs.9350.9 Crores including one



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new HAM project. With that the irrigation constitutes 24%, roads 28% and HAM 48%. Please refer page number 29 of the investor presentation. The current order book position remains healthy and provides a clear visibility of execution over the period of that next three years. A robust project pipeline and already DPR detailed project report under the Bharatmala project should accelerate the project awarding actively going forward. The company is targeting a further order inflow of Rs.4000 Crores to Rs.5000 Crores for the year FY2023. I will now request Mr. K Venkata Ram Rao our GM to present the result of the quarter ended June 30, 2022. Over to Mr. Venkata Rao!

K Venkata Ram Rao: Thank you Sir. Let me take you through to Q1 FY2023 standalone financial performance, the revenue for the quarter grew by 20% year-on-year to Rs.890 Crores as compared to Rs.740 Crores in Q1 FY2022. EBITDA for Q1 FY2023 witnesses a growth of 15% to Rs.165 Crores as compared to Rs.143 Crores in Q1 FY2022. EBITDA margin in Q1 FY2023 stood at 18.5%. Net profit for the quarter was Rs.100.9 Crores as compared to Rs.73 Crores in Q1 FY2022 a growth of 38%. Now coming to the consolidated financial performance the company recorded a 21% year-on-year growth in the total revenue from Rs.807 Crores in Q1 FY2022 to Rs.980 Crores in Q1 FY2023. EBITDA came in at Rs.211 Crores in Q1 FY2023 as compared to Rs.202 Crores in sustained period last year. EBITDA margin in the current quarter stood at 21.57%. Profit after tax stood at Rs.90.5 Crores in Q1 FY2023.

Now moving on the stand-alone balance sheet the company continues to maintain a strong balance sheet and standalone debt as of June 2022 is Rs.124.75 Crores that is towards working capital. The working capital days came down to 60 days compared to 63 days in March 2022. The consolidated debt as of June 30, 2022, is Rs.1592 Crores as compared to Rs.1410 Crores as of March 31, 2022. The net debt to equity on the consolidated basis as of June 30, 2022, stands at 0.66 times as compared to 0.49 times as of March 31, 2022. With this we can open the floor for question and answer.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Shravan Shah from Dolat Capital. Kindly proceed.

Shravan Shah: Thank you. First of all congratulations on a decent performance in this quarter. Sir as I can see in terms of the irrigation order book versus March, it remains the same so just wanted to understand how do we see the full year execution from irrigation projects particularly if I name the projects two JV projects N61 and HES1 how do we see that execution for this year and the old one the Palamuru lift irrigation and Kaleeswaran so how do we see? Can



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we see these two projects to be completed in FY2023 and how much execution we expect from both the JV irrigation projects?

K.JALANDHAR: Right now the outstanding there is quite large as you can understand. Actually as you know that we are now suffering for the payment in this irrigation project. As of now the outstanding is I think during the last month July ended Rs.850 Crores is outstanding as of now. So that outstanding are piling up and the payments are not realizing we are a little bit slowing down on this; however, if we get the payment in a month's time definitely we gear up and as per schedule it will go on, and I think in the coming one and a half years we will be completing the entire work if the payments are intact.

Shravan Shah: So Sir do you see as you mentioned Rs.850 odd Crores is exposed are outstanding so out of that anything have you got an indication that in this month's August or in September how much are we expecting to receive?

K.JALANDHAR: Actually that department side they say that you may have to wait for some more time as they are saying coming one to two months partial payments will be released. I think even the state government is struggling to get out of that loan situation so it is quite unrealistic thing now to say anything. If I say anything I think it may go wrong also sometimes but these are the predictions. Before two months they are not saying anything that will happen.

Shravan Shah: Okay now coming to the HAM projects particularly so the KSHIP HAM project how do we see the execution for this year and two Kerala HAM projects so how much we see the execution because currently we have close to Rs.3100 Crores order book from these two HAM projects in Kerala so can we see kind of a 40% to 50% so Rs.1200 Crores to Rs.1300 Crores kind of a revenue from these two projects for this full year?

K.JALANDHAR: Yes 40% we can expect to complete that is what the plan is. Generally we have targeted 45% but we have lost season the recent complete rains and there have been a lot of problems so May completely we lost. In April also 10 days we suffered for the some cyclone has come up because of that 10 days to 11 days we suffered for that in April and May full was in monsoon so the expected some preparatory works to do the rainy season works could not done because of the early monsoons that have happened. Generally in Kerala they hit around June first week or second week most probably it is in the second week. Sometimes it is in the first week also but this time May it was announced as monsoon because the major, major flaw which has happened so 47% was internal target for us to complete but I think now we are revising it to 40%.



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Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Kindly proceed.

Mohit Kumar: Good evening Sir and congratulations on another good quarter. Sir my first question is can you give us the breakup of revenue in roads and irrigation and the related question is that is there any change in scope in the order book which you have booked in this quarter?

K.JALANDHAR: The breakup is like that. In irrigation actually we did around 35%. In road HAM we did 40% and our EPC road project we did 20% and 5% on back-to-back basis.

Mohit Kumar: So you are saying 35% HAM right and 40% EPC?

K.JALANDHAR: 35% is irrigation, 40% HAM, 20% is our regular EPC road project and 5% is back-to-back.

Mohit Kumar: But the order book is flat does it means that you have booked extra order in irrigation? Is the understanding right?

K.JALANDHAR: As per our accounting policy actually we booked revenue based on our percentage of completion so whatever the expenditure booked plus margin we will consider as revenue but in our order book actually we will go ahead for the certification so that is why if you see we have gone for it, there is no movement in the order book but the revenue of around Rs.300 Crores has been booked in irrigation that is based on expenditure accounting.

Mohit Kumar: Understood and secondly Sir the outlook in terms of order inflow are you seeing the NHAI floating orders of bids for the area where we are comfortable and what kind of pipeline you are seeing at this point of time?

K.JALANDHAR: NHAI order book I think quite a good. I think we were expecting new set of winning off to come into force from next month onwards. I think partially they will come up with the 75:25 methods. I think next month it is expected to have it come up, so definitely we are gearing up as you know we are offloading certain projects with us which are completed and gearing up for the equity additional equity because 75:25 would have that more equity for which also we are gearing up. I think some better prospects would be there in upcoming months.

Mohit Kumar: I think it is the number any number of bids you are participating and which you are seeing on the ground?



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K.JALANDHAR: In Kerala we are participating almost Rs.2000 Crores some work has come up we are participating and Tamil Nadu there have been three set of projects like in Chennai flyover areas there have been and flyovers from Chennai also and two projects in Uttar Pradesh, few projects in Bihar we are focusing as well as I think some projects are there in Telangana also this time. We are even focusing. Yesterday we placed a bid on Telangana region also EPC region model. I think there have been good prospects.

Mohit Kumar: Understood Sir. Thanks and all the best.

SK.JALANDHAR: Only one set of uncertainty is that unless the bid capabilities and are in place I think definitely the healthy bidding may not happen. That is what our estimate is so hope for the best from it.

Mohit Kumar: Thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Niteen S Dharmawat from Aurum Capital Services. Kindly proceed.

Niteen Dharmawat: Thank you for the opportunity. A couple of questions you mentioned in the notes about some IT searches operations that were conducted in our offices? You mentioned that there was nothing found so far and which calls for provisioning? I wanted to understand was there any IT search happened earlier in the past in company offices and was there any adverse finding at that time?

K.JALANDHAR: Actually in 2011 we have got a search done. That time there is no big outstanding material they got in back. They tried to impose certain taxes which were challenged on a later date. Initially we paid and later we challenged all these and we got back also and now again some sort of thing is going on but as of now due to new such proceedings we have not received any sort of proceeding order from that. I think the search parties what I heard from the department is that search parties are now preparing the statement I mean appraisal reports they call it. They would prepare that and send it to the central circle. In central circle they will investigate the entire accounts. I think they will open all five years accounts and then they do the real assessment and then come back with their findings and then I think they open up the floor for us pay some. They may demand some taxes. Subsequently we may challenge depending on the situation at that time.

Niteen Dharmawat: Got it so in 2011 there was so adverse penalty that has come to us even at that time? That is what we are concluding?



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K.JALANDHAR: Actually they leveled certain penalties and all but later we got back all that.

Niteen Dharmawat: Got it?

K.JALANDHAR: The department will search. They have been given target like the government says we need so many targets from you so try to impose by some interpretation some sort of trauma drama they do and all but later they get dissolved because after we submit everything definitely there is an officer who is again making an allegation. He may not agree but if you go to the appealing forums definitely your arguments will be listened to and then you relief over there.

Niteen Dharmawat: Got it. My second question is are we planning to get more orders and how is the competition now in the bidding process? Last time you mentioned the competition was intense so has this reduced now a little bit and what is the order book position that wants to build?

K.JALANDHAR: Actually this year we are targeting about Rs.3000 Crores minimum order minimum I mean to say. With this actually the people are upbeat for upcoming because any order if I take an order it is taking almost a year to take commencement so because of this definitely we are now focusing on this at a bit earlier stage as we have a clear earning visibility for two years at least if you can see the but still we are now picking up the order because at one point of time if I come into pressure may order quality may reduce the demand versus supply always make you somewhere it will give you some sort of negative impact which we do want on our books so definitely Sir whenever there is an opportunity we are pinching ourselves and thinking of the orders and mobilizing it in the right way also but here in other situations Sir as I earlier said that we are literally waiting for the new bids norms to come into place. As you know that it is out in the market also, everybody knows it so if they impose the bid capacity issues and equity requirements and then if we go for 75:25 it may be a bit lucrative bidding. I mean to say that there is some sensible bidding that should happen then it may improve our order book which we are hoping down. I think coming one month's time all these should be in place.

Niteen Dharmawat: Got it. Will this change our revenue guidance and what is our revenue guidance in operating margins for 2023?

K JALANDHAR: Sir actually 2023 we may not see a big jump this side but of course if I repeat some orders in this year definitely the launching of these order will take at least seven to eight months. Normal course is only seven to eight months. Again we are cropping up. Most of the projects are now coming on the basis of Greenfield highways and all. They are coming in



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entire bypasses so the land acquisition is not that pretty so generally it is taking almost 10 months to 12 months for commencing all these projects so definitely the next year FY2024 we may be bit of improvement that will be there however we have clear visibility now for two years at least. I think Rs.9300 Crores is the outstanding as of now so which will cater our two years requirements and again as we are focusing on new orders which may also improve our situation.

Niteen Dharmawat: Got it. Thank you so much and if I have any additional questions I will come back in the queue?

Moderator: Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Kindly proceed.

Jiten Rushi: Good evening Sir and thanks for taking my questions. Sir my question was on the bid you are targeting big pipeline? You said you are targeting to bid in the different geography of North, UP and Bihar so do we see because so far we are comfortable in South and as you said last time also South India can see more bids coming in so any reason for going in that tight geography? This can dilute our margin also going forward so any thought on that?

K.JALANDHAR: Sir actually yes this is really there is situation now in South India the projects are also reducing. Unless the new highway the expressway which they are planning around 22 numbers which they come down until such time we may have to bid focus on few other areas also so we are definitely thinking to go around okay. Once it comes to the question of diluting the thing it can only be known after we succeed on the bids. Right now Sir I have the visibility for two years so I do not have to rush and hurry for taking up an order. In very uncertain time like now there is war between Russia and Ukraine is going on there is certain expectations on Taiwan versus China so all these uncertainties it is. Once we always think and do his operations so definitely we are keeping everything in mind and moving forwards Sir so even the success ratio also could be reduced in this pattern in which we are thinking but we are fine because we have comfort for two years so definitely at least one to one and a half year we have comfort we can say, but as of now we are targeting very lesser target like Rs.3000 Crores only we could for ourselves because to make for our one and a half year to one year upcoming requirement we would need.

Jiten Rushi: Sir is it fair to assume that we can expect a revenue growth of around 15% this year with a margin of 18% to 19% underwriting what we have received now and our ordering which you are targeting Rs.4000 Crores to Rs.5000 Crores at the start of the year, is it fair to assume the same run rate for FY2023?



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K.JALANDHAR: Pardon Sir.

Jiten Rushi: My question was is it fair to assume a 15% revenue growth for FY2023 with a margin run rate of 18% to 19% what we could do on the commodity price and inflow of over Rs.4000 Crores to Rs.5000 Crores because at the start of the year you were saying a higher inflow but with Rs.3000 Crores it seems to be on a lower side of the guidance so my question was any bids you are targeting from the any state projects also which can get you Rs.4000 Crores to Rs.5000 Crores and on the revenue and margin?

K.JALANDHAR: Rs.5000 Crores is required after one-and-a-half-year kind of thing so now we are talking about one year. I think upcoming year only that means FY2023 only we are talking of but which it is a lower size target which I said and there is no this thing that upper cap we have not spelled out also. We have requirement minimum requirement that means minimum I need is Rs.3000 Crores but it is not that we are restricting ourselves to this Rs.3000 Crores only and then shutdown the bidding now. We are going forward also.

Jiten Rushi: What Vaikuntanathan said that in the opening that Rs.4000 Crores can be achievable?

K.JALANDHAR: In the market and all everything is good kind of that. I think in coming year what I have been said by the NHAI officials that they start bidding on this expressway and Greenfield highways they will start from the coming two months.

Jiten Rushi: On Q2 any thoughts when can we expect the final closure and the balance payment Sir? What is the remaining payment from them?

K.JALANDHAR: Pardon Sir.

Jiten Rushi: The highway deal when can we expect the final closure and the balance proceeds?

K.JALANDHAR: I think another two months we are trying to finish it Sir. By the end if everything goes well definitely we should be closing by this quarter end.

Jiten Rushi: Sir what is the balance outstanding we will receive now Sir?

K.JALANDHAR: Balance outstanding, we are working out that final around Rs.200 Crores to Rs.220 Crores we will receive actually but transfer of 100% share in the KNR Srirangam and 51% each in Shankarampet Projects and Tirumala, so fundamental difference will be between Rs.200 Crores to Rs.220 Crores.

Jiten Rushi: Okay Sir I have further questions I will come back in the queue. Thank you and all the best.



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Moderator: Thank you. The next question is from the line of Veenit Prasad from Investec. Kindly proceed.

Veenit Pasad: Thanks for the opportunity. Sir just wanted to first ask on gross margins if you look first nine months of the last year we were hovering around 34% to 33% and which has gone down over the last few quarters to 28% now? What is this on account of? It is only whether it is purely RM inflation or is there anything more to it ?

K.JALANDHAR: You are right the inflation the input material prices have gone up like anything and there is a big uncertainty. Every now and then things are changing. I think because of this rainy season things are bit under control otherwise they would run further forward. Even GST has gone up now. If you consider all that I think things are not in a right shape so the major reason is cement, steel and POL the diesel bitumen prices all that. They are ruling on it.

Veenit Pasad: So with these moderations and commodity prices of late where do you see this number settling in the next few quarters?

K.JALANDHAR: Sir it is quite difficult way but however we are sticking onto that at least earlier guidelines like 16 to 17 levels are quite possible but we will have to see Sir. If things beyond our control definitely things are not up to the mark but we will try our best in this.

Veenit Pasad: Would it be safe to assume that gross margins now would have bottomed out to a certain extent and it should only move northwards or remain as they are currently? Would that be decent assumption

K.JALANDHAR: Actually Sir if you straight forward ask this question definitely there are uncertainties so scaling down is always better off into consider and go forward if things are better than definitely things will come up in a better shape.

Veenit Pasad: Understood so Sir just the second question is on the depreciation you generally see a fair bit of volatility in our depreciation and that has been the case over the last let us say few years or so? Even in this quarter if you look at it depreciation was down 18% to 20% on as sequential basis so one what lead to such decline in the depreciation and number two why is such volatility in the depreciation number?

K.JALANDHAR: The depreciation numbers are based on our asset requirement, and in case of the road projects and irrigation projects so as you our irrigation we depreciate in the 3 years life cycle. In case of road projects we depreciate in the 7 years life cycle. It will clearly if you have seen in this quarter there is not much addition in the irrigation item because irrigation



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is part of the project almost whatever machineries are required we already deploy so there is no addition in KSHIP. That is why this quarter depreciation was low and we hope that it will be for the irrigation project are not coming and definitely whatever the existing irrigation almost we have required so now we hope that depreciation should be this level only.

Veenit Pasad: Understood. Okay thank you so much Sir.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Kindly proceed. As there is not response we will be moving on to the next question. The next question is from the line of Parikshit Kandpal from HDFC Securities. Kindly proceed.

Parikshit Kandpal: Good morning Sir and congratulations on a good quarter. My first question is on irrigation so this quarter we had about Rs.300 Crores of revenue from irrigation so in the Q2 how do you see this execution moving given that we have Rs.800 Crores to be received from the irrigation outstanding?

K.JALANDHAR: Sir considering the rainy season and since most of the order is in the high rainfall zone. As you know that Mangaluru that Periyashanthi project is in the area of Mangaluru which is a hill station and has got high rainfall problems and the early monsoon has started for us and we are really suffering on that account so there have been certain scale down in this and again Kerala projects also there have been under rain zone and the rains are also happening to the extent possible so definitely this time we are only guiding about the Q2 we are a little bit light and trying our best to push out. We will see if upcoming this one and a half months time still is there. If the rains are coming down definitely we can come up to the expectations as we have expected. Revise a little bit scale down Rs.100 Crores to Rs.150 Crores will be down with that Sir and having the phase of irrigation it is not wise that I raise certain execution pattern there because that may not help me in financial thing because outstanding are heavy and again if I invest more getting back may be difficult.

Parikshit Kandpal: Sir I was talking about the irrigation only Sir that irrigation are we going to significantly shut down that execution given we are giving payments so because earlier you have been saying that you will have maintain some level of execution because we have payment outstanding? We have to keep executing the project at some reasonable level so now this quarter Q1 we have recorded about Rs.300 Crores of revenues from irrigation and Rs.800 Crores is the total dues which we have to collect from the government so do you think Rs.300 Crores will get scaled down significantly Q2 to like Rs.100 Crores or less than Rs.100 Crores so how do you see the execution in irrigation and already one and a half months have gone by so have you already scaled down the execution in this segment?



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K.JALANDHAR: A little bit scale down is there is this except from that towards end all that we start working on major concrete works and all because concrete works are involving lot of investment also as you know that cement and steel and all to be put in so those areas little bit slowdown is there Sir however we will have already spoken with them. They are assuring another two months we will pay you; you continue to do the work which we wanted please do confirm in writing so that we can take it granted and go ahead. If they will give in writing that they are able to pay us in two months definitely we will get up the thing.

Parikshit Kandpal: But in Q1 have we received any money from the government on the irrigation?

K.JALANDHAR: No Sir.

K Venkata Ram Rao: Actually after March usually we receive already we considered because we had a concall on May 31. At that time, it was Rs.650 Crores outstanding. That is after considering around Rs.130 Crores that we received after March actually but from May we have not received anything so what we are talking is Rs.650 Crores that is May. As on date it will become Rs.850 Crores.

Parikshit Kandpal: Sorry can you repeat that sentence.

S. Vaikuntanathan: After March actually because what Rs.650 Crores figures we told as of May 31 so after March it will be received around Rs.130 Crores in the irrigation but after May we have not received anything.

Parikshit Kandpal: So May it was outstanding of Rs.650 Crores which has now become Rs.800 Crores?

S. Vaikuntanathan: Rs.850 Crores yes.

Parikshit Kandpal: The Rs.200 Crores we have filed upon debtors?

S. Vaikuntanathan: Yes from May to July.

Parikshit Kandpal: Beyond that any unbilled or is it just pure debtors or everything work in progress ?

K VENKAT: Everything. This includes debtors as well as unbilled also.

Parikshit Kandpal: Sir my second question is on this debt? I just missed that debt number? Can you just tell us standalone debt and cash in net debtors?

K VENKAT: The standalone debt is Rs.125 Crores as of June 30 and cash is around Rs.45 Crores.



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- Parikshit Kandpal:** Rs.45 Crores?
- S. Vaikuntanathan:** Yes.
- Parikshit Kandpal:** Thank you. Those are my questions.
- Moderator:** Thank you. The next question is from the line of Nikhil Abhyankar from DAM Capital. Kindly proceed.
- Nikhil Abhyankar:** Thanks for the opportunity and congrats on a good set of numbers. Sir I just wanted to know why is the other expenses down Y-o-Y and other income has risen? Any specific reasons for it?
- S. Vaikuntanathan:** Pardon Sir.
- Nikhil Abhyankar:** Sir why is the other expense down? It was Rs.62 Crores earlier and now it is around Rs.48 Crores and why is the other income risen from around but why is the other expense down
- K.JALANDHAR:** Because basically what is happening is major is due to because this quarter actually whatever our projects are now in execution state so in the last quarter there was some design expenses were there actually. Now design everything is approved so due to that reason this quarter was not there but it is specific detail actually we would provide you.
- Nikhil Abhyankar:** Sir any update on the sale of BOT projects?
- S. Vaikuntanathan:** Sale of BOT projects.
- Nikhil Abhyankar:** Muzaffarpur to Barauni?
- S. Vaikuntanathan:** In Muzaffarpur to Barauni sale it will take time because now NHAI is standing for four laning and all. At that time if there is an option for right of resolution by that time we can get back to the loan so since four laning is being planned they have yet to decide whether it is by HAM or by BOT they have to decide. Most likely they may decide HAM so in such case there may be a right of refusal also so we are waiting for that. Till such time the project is being serviced by us.
- Nikhil Abhyankar:** And earlier you had mentioned that we were also looking at railway orders so do you see any opportunities in this year?



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K.JALANDHAR: Railway orders as of now we have stopped focusing on that right now because there was huge tendering that was done in highways and urban infrastructure like flyovers and all others and there have been lot of bids in pipeline for coming also so a bit of occupancy is there and hopeful that we will be getting Rs.3000 Crores to Rs.4000 Crores order which we are targeting if it is easily achievable why enter into a new zone or otherwise if the ordering intake is becoming a little bit difficult here definitely we will focus on that.

Nikhil Abhyankar: Understood Sir and just one last question Sir? You also mentioned that NHAI contribution might come down to 20% so how do you see the competition being affected by it? Do you see any increased margins because of it?

K.JALANDHAR: Yes actually Sir what is happening right now you might have seen the bidding pattern I think very, very unhealthy bidding that is happening in the HAM as well as in the EPC projects both the places because earlier there was no bank guarantee only. I think past 15 months they have put the bank guarantee issues. With that I think there is second scale down in the bidding numbers. I think the number of bidders participation has reduced but still the aggression is not and now they are capping with the big capacity and equity also they are putting those laws for scaling down the bidders preventing the non serious bidders also so with this I think there should be number of players also will reduce and I think only serious players who are likely to participate or who can invest into the equities they only will participate into the bidding. I think this process would start in another couple of months. May be from the next month which I have been told by couple of months is the right choice to take it because we envisage if it is done in that way definitely we are happy and healthy bidding may happen.

Nikhil Abhyankar: Sir just one last question if I may the margins on irrigation projects are somewhere around 24% and given you have just mentioned that may be you will not be executing any irrigation orders and so revenues will not also accrue to it so is it fair to assume that the margins will be hit and at least in the next quarter because of it because that is almost contribution 30% of our quarterly revenue?

K.JALANDHAR: Non execution as completely we cannot stop (48:40) the projects because if you log on to the project only you may hope to get payments. If you completely quit out of the projects definitely then Telangana Government they may not pay us also and we have quite a huge piled up outstanding for which definitely we will be there in that and again considering this much delays that are happening though however the irrigation is not that better this time because if you see that working capital interest and everything is charged to that definitely whose EBITDA has already come down to 17% and 18% only and Sir the same one better thing in this is that we have a escalation clause in a better way in this Telangana region this



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irrigation projects because they are directly there is the Chief Engineers Committee who will decide the ruling price on the bitumen, steel, cement, and all that so definitely it is going to be a bit of good prospects but because of nonpayment again things are under doldrum. They have also come down Sir. Earlier it was adding good margins but now because of the delays that they are doing on the payments and all it is coming down to the same levels.

Nikhil Abhyankar: Okay understood Sir and that is all from my side.

K.JALANDHAR: And moreover Sir we were guiding only 15% to 16% level and all but every time it is happening in a big way so everyone to be at 18% to 19% but really it is not possible that every time we can deliver that. Any unrealistic thing some planes something which is coming up then it will keep us in a very good shape but otherwise normal operating margin are likely 14%, 15% and 16% levels only.

Nikhil Abhyankar: Okay thanks a lot.

Moderator: Thank you. The next question is from the line of Parvez Qazi from Edelweiss. Kindly proceed.

Parvez Qazi: Good afternoon Sir. Sir I am sorry if this question has been answered earlier but when do we expects the appointed date for Chittoor to Thatchur project?

S. Vaikuntanathan: Actually that is around 50% land acquisition which is done. Now even the project director of NHAI, he is also saying another 30 to 40 days it will take to complete that 80% proportion because now the disbursement has started so things are in a little bit speedy way. We can hope for this to happen in the coming 40 days to 30 days.

Parvez Qazi: So with can expect an appointed probably towards the end of this year?

S. Vaikuntanathan: Yes Sir.

Parvez Qazi: Sure and a couple of questions for Venkata. What was the capex that we did this quarter?

K Venkata Ram Rao: This quarter we did around Rs.60 Crores of capex.

Parvez Qazi: And what was the contribution from irrigation forex revenue this quarter?

K Venkata Ram Rao: Irrigation is 35% around Rs.300 Crores Sir roughly.



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- Parvez Qazi:** Sure thanks that is it from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Alok Deora from Motilal Oswal. Kindly proceed.
- Alok Deora:** Good evening Sir and congratulations on decent numbers. Sir just wanted to get a sense on the execution side because you are mentioning that this quarter we did around Rs.300 Crores or so from irrigation and in Q2 we will be because of the monsoon it will be coming down to nearly Rs.150 Crores and so just wanted to get a sense what kind of growth we are looking at realistically for this year Sir because irrigation might not be at Rs.300 Crores run rate for almost the next three quarters and even Q2 and Q3 for the road sector also would be kind of muted so juts any indication on the growth we are targeting for this year?
- K.JALANDHAR:** Actually Sir that concerned definitely irrigation may be per quarter it could be reduced by 50% also so Rs.150 Crores we will be getting that I think 40% of execution which we are expecting on three new projects and Q2 also we are expecting around about 20% to 25% this year only so with all that and balance in the projects which are now ongoing with all that I think we will be achieving around Rs.3500 Crores plus which we are estimating Sir. May be Q2 we are little bit down but Q3 and Q4 quarters we can do a better, better job. There is no doubt.
- Alok Deora:** Sure and Sir you mentioned that while the revenue and irrigation you have around Rs.300 Crores but order book has not reduced so that is because the figures are not authenticated and so just wanted to understand what is the order book now if we adjust for all these numbers, which you have not reduced from the order book?
- K Venkata Ram Rao:** In that case you can reduce around Rs.400 Crores you can reduce from order book.
- Alok Deora:** Rest of the projects, are where we have not started the execution so Rs.8600 Crores is the order book excluding the Chittoor project and then this Rs.400 Crores we need to further reduce from this?
- S. Vaikuntanathan:** Yes correct.
- Alok Deora:** Sure and just last question this depreciation you mentioned it reduced because of this on the segmental mix change so what is this depreciation run rate will continue ahead or how are we looking at depreciation expense going forward?



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- K VENKAT:** It will be the same because now we are not adding in the irrigation sector so we expect that depreciation should be in this level only.
- Alok Deora:** Okay the current Q1?
- K VENKAT:** Around 30 to 33 level.
- Alok Deora:** Sure that is okay. Sir I think that is all from my side. Thank you and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Shouvik Chakraborty from Dolat Capital. Kindly proceed.
- Shouvik Chakraborty:** Thank you for the opportunity. Sir like you said for the revenue guidance like for FY2023 around Rs.3500 Crores plus so can you also guide for FY2024 that will be my first question?
- K VENKAT:** See the target for FY2024 are about say 10% to 15% growth we can expect Sir. It is between 10% and 15% but because of lots of uncertainties that are happening margin line it is quite difficult to spell out but turnover. We have to complete entire order book which is outstanding in the coming two years so definitely we have to cross.
- Shouvik Chakraborty:** Sir and like for the EBITDA margin for FY2023 can we expect a margin of 15% to 17% odd?
- K.JALANDHAR:** Sir actually right now you can take it like that but because after that season starts then only we will know how this steel and cement will be behave and most of the projects are carrying structural, work only (57:10) that is the major, major projects.
- Shouvik Chakraborty:** Sir and one bookkeeping question. Can you give us the number for the consolidated cash?
- K VENKAT:** It will be around Rs.200 Crores actually consol cash.
- Shouvik Chakraborty:** Rs.200 Crores right Sir?
- K VENKAT:** Yes including these margin put together.
- Shouvik Chakraborty:** Sir and just one last thing so by the end of this year can we expect like zero debt?
- S. Vaikuntanathan:** Sir actually March 2021 and March 2022 we have zero debt only but we are definitely this receivables are piling up that is we have taken debt into this quarter but definitely we expect



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this receivable will come down. We will receive all the receivable and definitely we will be again zero debt company.

Shouvik Chakraborty: Okay thank you Sir. That is all from my side. All the best.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

S. Vaikuntanathan: Thank you all for joining us on this call. Please reach out to our IR consultant strategic growth advisors or else directly should you have any further queries. Thank you. Now we close the call.

Moderator: Thank you. On behalf of KNR Constructions Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.