



“KNR Constructions Limited Q4 FY'16 Earnings Conference Call”

May 31, 2016



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LIMITED**

Moderator: Ladies and Gentlemen Good Day and Welcome to the KNR Constructions Limited Q4 FY'16 Earnings Conference Call of This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. 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 '*' and then '0' on your Touchtone Phone. Please note that this conference is being recorded. I now hand the conference over to Mr. S. Vaikuntanathan -- Vice President, Finance of KNR Constructions Limited. Thank you. And over to you, sir.

S. Vaikuntanathan: Good Morning, friends, I welcome you all on our earnings call for the quarter and year ended 31st March, 2016 Along with me is Mr. Major Retired T. L. Verma -- Vice President, Technical; Mr. K. Venkatram Rao -- General Manager Finance and Accounts; and Strategic Growth Advisors our Investor Relations Advisors.

I would like to start with a brief update on project awarding and then moving on few industry developments. Under the project awarding activity site, the government has awarded contracts worth 10,000 kilometers in FY'16 and construct 6,000 kilometers on FY'17. The target is to award 25,000 kilometers well on the construction side, the government is targeting to complete 15,000 kilometers. The awarding activities will be divided between NHAI, Ministry and agencies like NHIDCL. NHAI's target is to contract 8,000 kilometers while Ministry and NHIDCL will construct the balance 7,000 kilometers.

The government has in budget in February 2016 has increased the gross budgetary support by almost more than 50% to 39,900 crores. This increased allocation will help to beat the set target. The Road Ministry has asked for Rs. 80,000 crores budgetary allocation for the next year. The government is convinced that overall growth and development of the country can be undertaken by developing, organizing and creating infrastructure. The speed of development and developing the infrastructure has also picked up pace.

The government has also debottlenecked the process of securing various permissions and reduced the footprint of bureaucracy for speedy execution. There have been phased structural reforms to not to have situation of various pending projects. The government proposed the upgrade 50,000 kilometers of roads for National Highways. NHAI has awarded 4,171 kilometers during the year FY'16 compared to 3,068 kilometers that awarded in FY'15 and 1,437 kilometers in FY'14. Out of the 4,171 kilometers, 3,070 kilometers are EPC projects, 803 kilometers BOT projects and 351 kilometers Hybrid Annuity projects. The ministry as a

whole has awarded total contracts worth 10,000 kilometers including the above mention NHAI contracts.

The ministry has set a target of 25,000 kilometers for FY'17. The awarding activities will be divided between NHAI, Ministry and other agencies like NHIDCL.

In terms of construction targets, NHAI is targeting to construction 8,000 kilometers while the Ministry and NHIDCL will target to construction 7,000 kilometers, taking the total construction target to 15,000 kilometers in FY'17 vis-à-vis 6,000 kilometers construction in FY'16.

With policies like one-time fund infusion by NHAI for revival of BOT projects which are languishing in the construction phase and approval of comprehensive exit policy framework permitting the divestment of 100% equity by concessioners and developers after two years of completion of project construction there is a renewed interest in the roads from the private sector. This exit policy and churning of equity will start a cycle where funds parked in develop the projects can be monetized and utilized in other developing projects.

The decision to provide higher compensation to farmers in cases where awards are fixed as per whole but compensation has not been paid to land over will expedite the process of land acquisition in turn giving the developer the opportunity to complete the project in time or before time.

Various states like Uttar Pradesh, Telangana, Gujarat, Rajasthan, et cetera have erected their own land acquisition act which has helped them to get the project started in time. Setting up a redressal committee to expedite the clients by road development from contractors will reduce the amount of working capital employed and improve profitability.

Now coming to the company, in FY'16, we have secured cumulative order of Rs. 2,874 crores. After 31st March, 2016 we have secured three projects worth Rs. 1,091 crores of this three projects, two is irrigation projects in which KNR shares is worth Rs. 676 crores this state of Telangana and the road projects worth Rs. 415 crores in the state of Tamil Nadu on EPC basis.

Our order book position as of March, 2016 is Rs. 3,460 crores and as on date it is Rs. 4,550 crores. To improve our execution outlook, further we continue to bid for projects and expect to win projects in the next six months to nine months.

Now, I would like and request Mr. K. Venkatram Rao to present the results for the quarter ended and the year ended 31st March, 2016. Over to Venkatram Rao.

K. Venkata Ram Rao:

Hello, to everybody. Good morning to everybody. I believe you have had an opportunity to see Results and the Presentation that we have circulated and uploaded to the Stock Exchange side. Now, I would present the result for the quarter ended 31st March, 2016.

The revenue on standalone basis is Rs. 296 crores in Q4 FY'16, as against Rs. 256 crores during the same period in the last financial year, a growth of around 16%.

Our standalone EBITDA for Q4 FY'16 has been at Rs. 45 crores with margins about 15.3%. Standalone profit after-tax grew by approximately 87% to Rs. 45 crores in FY'16 as compared to Rs. 24 crores in Q4 of FY'15. Standalone profit after-tax grew by 138% to Rs. 58 crores from Rs. 24 crores in Q4 FY'15.

Now, I present the standalone results for the year ended 31st March, 2016. The total revenue on standalone basis is Rs. 903 crores in FY'16, as against Rs. 876 crores during the same period in the last financial year, a growth of around 3%.

Our standalone EBITDA for FY'16 has been at Rs. 155 crores with margin at 17.2% an improvement of 2.8% over FY'15. Standalone profit before-tax grew by approximately 80% to Rs. 130 crores in FY'16 as compared to Rs. 72 crores in FY'15.

Standalone profit after-tax grew by 121% to Rs. 161 crores from Rs. 73 crores in FY'15. The growth in the profit after-tax is due to the mainly tax refund of the previous year on account of 80IA benefit and interest on tax refund classified as other income. The tax refund is around Rs. 41 crores and interest on the tax refund is around Rs. 12 crores which is included in other part. We have also received one of the claims in our joint venture entity, our share of profit in that is around Rs. 30 crores.

The consolidated results for the year ended March 31, 2016 are as follows. The total revenue on consolidated basis is Rs. 995 crores in FY'16 as against Rs. 931 crores during the same period in the last financial year a growth of 7%.

Our consolidated EBITDA for FY'16 has been at Rs. 171 crores with margin of 17.5% as improvement of 4% over the same period for the last year. Consolidate profit before-tax grew by approximately 37% to Rs. 112 crores in FY'16 as compared to Rs. 71 crores in FY'15. Consolidated profit after-tax grew by 86% to Rs. 133 crores from Rs. 72 crores in the FY'15. The growth in the profit is basically same reason on account of 80IA benefits and interest on tax refund.

Now, I come to balance sheet As on 31st March, 2016 the standalone gross debt is Rs. 117 crores, net debt is Rs. 101 crores and net worth is Rs. 726 crores. On consolidated basis gross debt is Rs. 737 crores, net debt is Rs. 692 crores and net worth is Rs. 697 crores. The net debt to equity for standalone basis is 0.16 and console basis it 0.94 times

EPC order book, our order book as of 31st March, 2016 is Rs. 3,464 crores, this includes Rs. 20 crores on the captive project and Rs. 3,387 crores as the third-party EPC projects and Rs. 57 crores towards on irrigation projects.

We have also won international road EPC work of around Rs. 235 crores. The execution timeframes of our current order book is around 2.5 years to 3 years.

Now, BOT project status. We have already received final completion certificate for our project Walayar - Vadakkancherry Project on 31st October, 2015. The total debt as of 31st March, 2016 is Rs. 350 crores. During the year the promoter that KNR Constructions has infuse around Rs. 130 crores to repay the debt of the SPVs.

We currently have one under construction project in Bihar that is Muzaffarpur - Baroli in this project we 51% stake and we have invested Rs. 52 crores in that project and there is no further equity requirement in this project and we are expected to get the PCOD very shortly.

With this, now open the floor for Question-and-Answer.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question Question-and-Answer Session. Our first question is from the line of Parikshit Kandpal of HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir, you started off conversation talking about NHAI's strong pipeline of 25,000 Ministry and NHAI put together 25,000 kilometers to be awarded this year. But if we look at your own guidance probably this is one of the best year of order award so, we have given guidance I think Rs. 1,500 crores - Rs. 2,000 crores of new order intake during this year, of which you have already received Rs. 1,000 crores close to Rs. 1,000 crores of order including the irrigation order. So I mean just wanted to understand that the current...

S. Vaikuntanathan: A little louder please.

Parikshit Kandpal: So I am saying, so we have already achieved Rs. 1,000 of inflow during this first quarter till now and you have given a guidance of Rs. 2,000 crores of order inflows during this year so, I mean why are we so conservative in terms of order intake when this is going to be a very robust year in terms of order awards?

S. Vaikuntanathan: We are mainly concentrating on execution of projects. We do not want to give a higher picture and then performance wise do not want to go down. Presently one we are giving our estimation what we are going to do definitely all our aim is to excel that figure suppose for example, next year we have given Rs. 1,100 plus we have given Rs. 1,100 crores plus we have so, the plus may increase our zeal to increase more work. So, we want to be very conservative and then perform a little higher that is what our issue.

Parikshit Kandpal: Okay. And again in terms of revenue guidance for this so, we are targeting guidance close to around Rs. 1,200 crores - Rs. 1,300 crores in terms of top-line, but you mentioned that your current order book is 2.5 years basically so which on a Rs. 4,500 crores are roughly close to Rs. 1,700 crores - Rs. 1,800 crores kind of top-line.

S. Vaikuntanathan: Yes, so there is a visibility of approximately three years you can take for now whatever order we are having there is a visibility of three years., But even with this we do not want to say that higher numbers typically all our effort is to perform higher, we want to give our execution capacity of Rs. 1,100 crores plus we will definitely around you know to execute.

Parikshit Kandpal: Okay. With regards to the irrigation orders which we have received so what kind of working capital requirement I mean have we received any what we understand that there is no advances given on these projects so, can you throw some light on what kind of advances are whether how we will be funding the initial execution?

S. Vaikuntanathan: This Telangana irrigation project is a similar order which government has said that there is no mobilization advance will be given to the contractors. Actually on the basis of that they want to ensure who participate in the project. They have got adequate resources to perform the project and also to invest any or going forward the project. And the government has really provided a budgetary allocation. Here they have made a budgetary allocation of around Rs. 8,500 crores. Suppose if we complete the project to each milestone the payment is not a problem.

Parikshit Kandpal: I was coming to the point was that the Kerala BOT we are already funding the loss I mean we have increased our exposure by almost Rs. 130 crores now this irrigation project will again put some stress on the working capital requirement so, what kind of debt levels are we comfortable because we are already at Rs. 110 crores of gross standalone debt. So how do we see it moving our course of next two quarters - three quarters?

S. Vaikuntanathan: Even after infusing our debt has not increased. Debt level is standing as it is. First of all, if you see our generation of cash is very faster. So we are able to cycle very fast that is why our debt level have not increased and we will maintain the same level and may be this additionally decision we are planning to around Rs. 14 crores to Rs. 15 crores capital expenditure our debt level will not increase.

Parikshit Kandpal: Even if the irrigation project is there even debt will not...

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

Shravan Shah: Sir, for this fourth quarter if you can give us the revenue break-up in terms of the project wise and for the Tamil Nadu project that is a three state level projects now have we started execution in what kind of quarterly run rate can we see on that projects?

K. Venkata Ram Rao: Fourth quarter contribution for turnover is that is from Madurai project Rs. 65 crores and the Panchalakona Rs. 50 crores, Trivandrum Rs. 35 crores. We have back to back contract which

they have given in Tamil Nadu that is around Rs. 25 crores. Basically these are the project which has contributed over the revenue.

Shravan Shah: Okay. And for this FY'17 we are looking at a Rs. 1,100 crores plus top-line, and for FY'18 how much are we looking at?

K. Venkata Ram Rao: This Rs. 1,100 crores plus that we have told before we awarded these Irrigation projects we have got this irrigation project definitely Rs. 1,100 crores plus we are going to achieve that to our target will be somewhere Rs. 1,300 plus next year.

Shravan Shah: Okay. And in terms of the inflow for this year it will be Rs. 2,000 and next year also it will be close to Rs. 2,000 crores.

K. Venkata Ram Rao: Yes, more or less that we will target towards that.

Shravan Shah: Sir, you told about what was the CAPEX for FY'16 and how much FY'17 and FY'18 are you saying?

K. Venkata Ram Rao: CAPEX for FY'16 it is around Rs. 60 crores.

Shravan Shah: Rs. 60 crores?

K. Venkata Ram Rao: Yes, Rs. 60 crores and FY'17 we expect to be same.

Moderator: Thank you. Our next question is from the line of Kushan Parekh of Emkay Global. Please go ahead.

Nitin Arora: Sir, just one question before I ask any question, just one clarification, you said the guidance because of the irrigation projects has been revised upwards to about Rs. 1,300 crores, is that correct?

K. Venkata Ram Rao: No, before irrigation projects that was Rs. 1,100 crores plus for this year. Definitely, this irrigation projects what will they will have added in this actually contributing Rs. 1,100 crores.

Nitin Arora: Okay. Sir, my two questions are, number one is what led to the spike in margins this quarter? How should we read it? Was there any one off or is it completely because of the in house projects or some financial engineering and we got a higher blip in the margins?

K. Venkata Ram Rao: Actually we achieved margin of around 15% in this quarter actually and our guidance is also we are telling that we will achieve somewhere between around between 13.5% to 14%. We are nearer to that only.

- Nitin Arora:** Okay. Sir, your loans and advances have increased significantly in this quarter. Was that related to a MAT credit thing or something else is it being related to?
- K. Venkata Ram Rao:** So we have infused Rs. 131 crores in our SPV and Rs. 52 crores in Bihar project due to that reasons this loans and advances have gone up.
- Nitin Arora:** Okay. So sir, Walayar project how much is the debt at this point and how much is the equity at this point?
- K. Venkata Ram Rao:** Debt is right now Rs. 350 crores.
- Nitin Arora:** Okay. And can you give me the toll collection number in absolute terms for this year and currently what the toll collection you are receiving per day?
- K. Venkata Ram Rao:** We are receiving around Rs. 11 lakhs per day as of now. it will be likely to increase actually.
- Nitin Arora:** So have we taken a price hike now in this March you have got that revision?
- K. Venkata Ram Rao:** It has to be come, it has to come.
- Moderator:** Our next question is from the line of Vibhor Singhal of PhillipCapital. Please go ahead.
- Vibhor Singhal:** Sir, just touching again on the loans and advances number, so the loans and number advances numbers have actually increased I mean almost doubled from Rs. 330 crores to around Rs. 620 crores. You mentioned that Rs. 130 crores and Rs. 50 crores on account of the investment in the Walayar and Bihar project, the remaining part would be on the Advance Tax and the MAT credit or is it something else that we can read into?
- K. Venkata Ram Rao:** Actually what happen because we have to give advances to our sub-contractor also that is also going to added there. Corresponding there will be also increase in other current liability.
- Vibhor Singhal:** Okay. So but there is no other element that which that we need to draw our attention to, right?
- K. Venkata Ram Rao:** No, nothing.
- Vibhor Singhal:** Okay. And sir, the debt that we see right now is around Rs. 117 crores. So given the execution that will proceed over the next couple of years and given that the Telangana irrigation orders do not have the mobilization advance amount. Where do you see these debt levels over the next two years?
- K. Venkata Ram Rao:** Actually, if you really see it our standalone debt is Rs. 110 crores, it includes Rs. 80 crores promoter given the money and net debt is only just Rs. 30 crores this year really. Fairly, we have our limit of around Rs. 125 crores and we are utilizing around only just 10% to 20% debt

limit on this irrigation there will be small increase in that debt to exposure but it will be within that limit actually.

Vibhor Singhal: So you believe that the debt to equity that we have right now we will be able to maintain that over the next two years?

K. Venkata Ram Rao: Yes.

Vibhor Singhal: And sir, just to get a clarification, I am sure, because the question has been asked so many times because the revenue guidance for next year stands at Rs. 1,100 crores that you had given, right?

K. Venkata Ram Rao: Rs. 1,100 crores plus.

Vibhor Singhal: Rs. 1,100 crores plus. And margin stable in the range of 13% to 14%?

K. Venkata Ram Rao: Yes.

Vibhor Singhal: And the order inflow guidance for the year is Rs. 2,000 crores and we have already got around Rs. 1,300 crores of orders in the month of April itself Rs. 900 crores and Rs. 445 crores, right?

K. Venkata Ram Rao: For our share it is around Rs. 1,100 crores.

Vibhor Singhal: Rs. 1,100 crores so, out of the Rs. 2,000 crores that we expect in this year we have already got Rs. 1,100 crores. So, remaining year probably be on a conservative side guiding for Rs. 2,000 crores?

K. Venkata Ram Rao: Rs. 1,000 to Rs. 1,700.

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyay of Elara Capital. Please go ahead.

Adhidev Chattopadhyay: Yes, sir, my question on your major road projects except for this Kazhakootam - Mukkola so, now it has been almost a year since we got appointed date and I believe it is 24 months' various issues that tree-cutting, shifting of power lines, and all those things. So, sir, by when do you think this project will get completed?

T. L. Verma: See because of cutting trees, I mean, no permission was given actually, thereby we have taken up case to change the appointment date, the project will be completed within two years only, in the accumulated time it will be completed. The appointed date has been shifted.

Adhidev Chattopadhyay: Okay. Sir, now, what is the new date if you could....do you know it?

- K. Venkata Ram Rao:** Actually we have got extension of time for 144 days actually as of now.
- Adhidev Chattopadhyay:** Okay, 144 days as of now. Sir, so any completion bonus is subject to this revise timeline if we are able to finish....
- T. L. Verma:** Yes, plus will be given in any case once that project completion date is shifted and so that on a Bonus clause applicable in the same way.
- Adhidev Chattopadhyay:** Okay. Sir, and sir, have been any similar extension of the timeline has been granted for any of the other larger projects?
- T. L. Verma:** Not larger projects some small projects called Penchalakona that is Rs. 200 crores wherein the same situation arose because of this unprecedented rain because it is very close to the Chennai that called Nellore project is anticipated there in we have got 144 days of EOT and that has been added to the project completion date 144 days. So we are eligible for bonus and we will be getting it.
- Adhidev Chattopadhyay:** Okay, sir. And lastly on the irrigation projects which you have won, so we will be doing sub-contracting or are you going to executing on our own?
- T. L. Verma:** Generally it is our own construction because we are our main strength is execution only so, it will be so, it will be mostly by us.
- Moderator:** Thank you. Sir, we will take the next question from the line of Alok Deorah of IIFL. Please go ahead.
- Alok Deorah:** I just have two questions. One was on the tax rate so like for this year and next year what kind of effective tax rate we would be having roughly?
- K. Venkata Ram Rao:** It will be around 12% what we have told we are getting that means our current tax will be at only around 22% and tax rate after taking credit will be around 11% to 12%.
- Alok Deorah:** And what about for FY'18 sir?
- K. Venkata Ram Rao:** FY'18 because what happens during this budget one amendment has come any project executing after 2017, you would not get that MAT benefit. Our existing order book definitely effective tax rate will be around 12%. We have received order after 2018 actually after April 2017 then tax rate might change.
- Alok Deorah:** Okay. So you are essentially saying it would be 12% only for FY'18 as well?
- K. Venkata Ram Rao:** 2018 as well, yes.

- Alok Deorah:** Okay. And one more thing, the current order book is roughly Rs. 4,500 crores, right?
- K. Venkata Ram Rao:** Yes
- Alok Deorah:** So you know that is like 4.5x your revenues of FY'16 which is like you know it is the highest amongst the comparable peers. So how much incremental capacity or you know ability we have to take more orders because I mean considering the gross block how much more we can look at in terms of taking orders or increasing the order book too, because it is currently running at 4.5 times which you know rarely any player have so, does this wanted your input on that?
- T. L. Verma:** Basically every year close to 2500 crores only not beyond that, we don't want to exceed our limit. This number is looking bigger because this top projects has been recently awarded. So we are capable of executing the work of around Rs. 1,500 crores.
- Moderator:** Thank you. Our next question is from the line of Jiten Rushi of IDFC Securities. Please go ahead.
- Ashish Shah:** Sir, you mentioned in your initial remarks that NHAI has come up with a solution for dealing with the cases where the land was acquired at previous rates but the owners are demanding the new rates. So, can you talk a little bit more about that what exactly has been done on the ground to address the issues of land on this?
- T. L. Verma:** We do not have BOT projects now, and we have not faced that kind of a problem so, we cannot review much detail on that. In general, we have said this is a problem being faced by the industry.
- Moderator:** Our next question is from the line of Amber Singhania of Asian Market Securities. Please go ahead.
- Amber Singhania:** Just one clarification could not hear because of the voice breaking, you mentioned Rs. 30 crores as a profit from share of JV?
- K. Venkata Ram Rao:** One-Three, Rs. 13 crores.
- Amber Singhania:** And that is part of other income right?
- K. Venkata Ram Rao:** Yes, apart from half and the operating income.
- Amber Singhania:** Sir, just to get a sense as other participants has also asked about the margin. Is there any one-off or any number which we have come over and above the normal business which is part of the operating income, margin is pretty high compared to what we guided and what last year we did?

- K. Venkata Ram Rao:** What I have told regarding income, our claim in one of the JVs. Most thing is we have actually completed two projects like Kerala project has completed in this and the one project which we have done with the Sadbhav that also completed in this year because this project will complete whatever the balance is quantity is there that we will bill in that and there would not be any corresponding expenditure from that. Due to this reason also the EBITDA margin has been slightly increased.
- Amber Singhania:** Okay. And last question is sir, you are guiding around Rs. (+1,100) odd crores of revenue despite having such a huge order book of Rs. 4,500 crores. I believe most of the large project which we have own last year is now already operational in terms of execution has started in full swing. Then why is it so conservative guidance in terms of revenue or is it something which we are missing, which might reduce the execution in this year from those projects or may be slow execution and all, sir?
- T. L. Verma:** Two projects which is ongoing means that is one in Tamil Nadu and another one in Kerala and balance whatever we have got recently now that we will execute it will be slow and later on that project will also pick-up. So, because of that only we have kept Rs. 1,100 crores plus otherwise it will be more which we have got recently that kicks off after we go up Rs. 1,100 crores to Rs. 1,200 crores.
- Amber Singhania:** So, you mean to say FY'18 will be significantly higher growth compare to FY'17?
- T. L. Verma:** Invariably.
- Moderator:** Thank you. Our next question is from the line of Divyata Dalal of Systematix Shares. Please go ahead.
- Divyata Dalal:** Just two queries have we received the appointed date for the Salem - Coimbatore flyover project?
- S. Vaikuntanathan:** Say again ma'am?
- Divyata Dalal:** Have we received the appointed date for the Coimbatore project the flyover over project?
- T. L. Verma:** The Coimbatore project is old project that flyover; this is Salem we have already got. If you are talking about Coimbatore to Pollachi a LOI has come but agreement has not yet been signed.
- Divyata Dalal:** Okay. And in terms of Salem project have we started execution?
- T. L. Verma:** Yes, this was started in fact before this announcement of election in Tamil Nadu.

- Divyata Dalal:** Okay. And sir, in terms of just one discussion on the extension of time for another so, one is the Thiruvananthapuram bypass project where we got extension of time which is the other project that we have got the extension of time?
- T. L. Verma:** The Penchalakona to Yerpedu.
- Divyata Dalal:** Which is in Tamil Nadu?
- T. L. Verma:** No, that is in Andhra Pradesh near Nellore.
- Divyata Dalal:** Okay. What is their contribution to the order book right now?
- K. Venkata Ram Rao:** Last year revenue it has contributed Apporx 150 Cr now that project is almost completed.
- T. L. Verma:** We have already got the Completion Certificate for that project and the bonus amount we are gaining about is close to Rs. 6 crores because what we can get is 3% of Project Cost that is Apporx Rs 6 Cr. We completed that project at 150 days ahead of schedule and accordingly we have applied for bonus.
- Divyata Dalal:** Okay, sir. So when is that full competition expected and hence the bonus?
- T. L. Verma:** No, I am saying fully we have competed Completion Certificate is received. As a result, we are saying 150 days ahead of schedule we have completed that project and we have applied for bonus amount.
- Divyata Dalal:** So there is no extension of time there?
- T. L. Verma:** There was an extension of time because there were unprecedented rains close to that Cyclone Roanu that affected the whole area for almost 45 days. So we have got a extension time but is not making much impact, total what we have get bonus amount is for 100 days only whereas, we have completed project 150 days ahead of schedule.
- Moderator:** Thank you. Our next question is from the line of Shravan Shah of Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, due to the voice disturbance, if you can once again tell me the revenue break-up project wise for this quarter?
- K. Venkata Ram Rao:** For Madurai it is Rs. 65 crores, for Trivandrum Rs. 35 crores, for Penchalakona Rs. 50 crores.
- Shravan Shah:** Pardon, the last one what you said?
- K. Venkata Ram Rao:** Penchalakona.

Shravan Shah: Yes, how much?

K. Venkata Ram Rao: Rs. 50 crores. And in Tamil Nadu back to back project around Rs. 25 crores.

Shravan Shah: Okay. Tamil Nadu the three state projects contributed only Rs. 25 crores?

K. Venkata Ram Rao: Yes.

Shravan Shah: Okay. And anything else major one?

K. Venkata Ram Rao: Major one is Kerala actually because this has got Rs. 28 crores.

Shravan Shah: Okay. And sir, if you can once again break it up this other operating income and other income how much is the interest, IT refund interest and IT refund for the full year and for this quarter then it will be great? And also you said there is some extra claim was also there so for FY'16 the other operating income is Rs. 17.4 crores and the other income is Rs. 30.5 crores so if you can break it up then it will be great.

K. Venkata Ram Rao: Actually for full year Income Tax Refund is Rs. 41 crores.

Shravan Shah: Rs. 41 crores?

K. Venkata Ram Rao: Yes, that got reverse in P&L and Rs. 1,1 crores is at Interest on Income Tax Refund.

Shravan Shah: Okay. So this Rs. 1,1 crores is included in other income of Rs. 30 crores?

K. Venkata Ram Rao: Yes, it has been included in other income of Rs. 30 crores.

Shravan Shah: Okay.

K. Venkata Ram Rao: And for this quarter, Income Tax Refund was Rs. 15 crores.

Shravan Shah: Rs. 15 crores?

K. Venkata Ram Rao: Yes, . And the interest income is around Rs. 6 crores.

Shravan Shah: Rs. 6 crores?

K. Venkata Ram Rao: Yes.

Shravan Shah: Okay.

- K. Venkata Ram Rao:** And that claim actually what sold in this quarter there was no claim and full year it was around Rs. 13 crores that has been included in other operating income.
- Shravan Shah:** Okay. So the Rs. 17 crores other income includes Rs. 13 crores claim and for the full year Rs. 30 crores other income includes Rs. 11 crores interest on a IT refund?
- K. Venkata Ram Rao:** Yes.
- Shravan Shah:** So rest Rs. 19 crores other income is the normal one you are saying?
- K. Venkata Ram Rao:** Yes, normal one that is.
- Shravan Shah:** Okay. And sir, is there any other further equity to be infuse in Kerala BOT apart from Rs. 131 already infused?
- K. Venkata Ram Rao:** We further reduce the debt and we may increase infusion of fund because we have taken board approval for Rs. 180 crores so based on this collection we may have to infuse further fund.
- Shravan Shah:** So are you saying may be another Rs. 50 crores in...
- K. Venkata Ram Rao:** Yes , around Rs. 50 crores.
- Shravan Shah:** And that to by this year only or may be?
- K. Venkata Ram Rao:** Infuse in this year.
- Shravan Shah:** Okay. And sir, in terms of if you can say the quarterly now going forward this bigger one projects that Madurai though this quarter definitely it is a Rs. 65 crores, how much quarterly run rate now, we can see on this Madurai and this three Tamil Nadu state projects?
- T. L. Verma:** Close to Rs. 90 crores to Rs. 100 crores we can do it.
- Shravan Shah:** Okay, Rs. 90 crores to Rs. 100 crores on Madurai you are saying?
- T. L. Verma:** Yes.
- Shravan Shah:** Okay. And on the three Tamil Nadu state project?
- T. L. Verma:** Rs. 40 crores.
- Shravan Shah:** Okay, Rs. 40 crores. And on Thiruvananthapuram bypass?
- T. L. Verma:** Now, see the monsoon is coming we do not expect much that time.

- Moderator:** Thank you. Our next question is from the line of Pranav Mehta of Equirus Securities. Please go ahead.
- Pranav Mehta:** Sir, just wanted to ask what is the status of Bangladesh project that you won. Has the work started or are you still facing with the land acquisition issue there?
- T. L. Verma:** Yes, Bangladesh, there is a problem actually. Recently, there was a Cyclonic effect in Bangladesh, that has effected and work is slow, not up to the expected at line.
- Pranav Mehta:** Okay. And sir, another thing this new project that you won on the road sector over the other bidders L2 and L3 you participated.
- T. L. Verma:** Which one you are talking about?
- Pranav Mehta:** Yes, the recent one that that you won last week Bangalore?
- S. Vaikuntanathan:** Pollachi to Coimbatore
- Pranav Mehta:** So, sir who was the L2 and L3 in that?
- S. Vaikuntanathan:** There was one is Isolux joint venture. There is one Prasad GDCL also.
- Pranav Mehta:** Okay. And sir, what were the bid amounts?
- T. L. Verma:** See KNR bid was Rs. 414.90 crores and L2 Rs. 433.17 crores Prasad GDCL and L3 is Rs. 449.08 crores that is GKC, Isolux 564.37 crores .
- Moderator:** I am sorry, sir. I just move to the next question it is from the line of Amit Sinha of Macquarie Please go ahead.
- Amit Sinha:** My first question is on your strategy for taking awards going forward. Are you planning to bid for any of the BOT projects especially on Hybrid Annuity side?
- T. L. Verma:** BOT side we are not much interested sir actually but Hybrid Annuity definitely we would like to I mean bid. Yes, we would like to explore on that Hybrid Annuity.
- Amit Sinha:** So till now you have not bid for any of the projects?
- T. L. Verma:** No.
- Amit Sinha:** Okay, but going forward you want to bid for that?
- T. L. Verma:** Yes, we would like to.

- Amit Sinha:** And why do you want to come back to BOT I mean any particular reason?
- T. L. Verma:** I am talking about Hybrid Annuity.
- Amit Sinha:** Yes, but there is a 60% contribution from your side also.
- T. L. Verma:** Yes. We can get a loan sir, because our standalone I mean that our debt part is quite less and we are hopeful that bank will help us and we can also infuse our equity.
- Amit Sinha:** Okay. So going forward you will definitely bid in the Hybrid Annuity. And any particular region where you will be interested in?
- T. L. Verma:** Definitely somewhere in Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh and Telangana.
- Amit Sinha:** Sure. Secondly sir, on the land issues where there were other questions also I understand you do not have any BOT projects which are getting impacted by the land acquisition issue. But we have seen that issue there even for the EPC projects. So, for our current order book are we seeing any project delays basically the starting of the project getting delayed because of land acquisition issue?
- T. L. Verma:** Sir, starting of the project what we do normally we try to get a land first and then we go for an appointed date. Yes, we try to see on the ground if land is available as per EPC agreement there has to be a joint inspection between the two NHAI or may be more and contractor. So, based on that once we prepare that appendix and if it 80% then only we go for appointed date otherwise we delay the appointed date and take advantage of that extended appointed date.
- Amit Sinha:** Yes, I understand that, sir, but is the appointed date itself is getting delayed from the time of the award of the order?
- T. L. Verma:** Yes.
- Amit Sinha:** Okay. And do you see that issue getting resolved faster has NHAI done you know any kind of faster resolution of land acquisition for most of their EPC projects?
- T. L. Verma:** Now, things are better sir, definitely things are better. And actually this I will tell you there is a compromise between what you call between the contractor and NHAI or Ministry because you know the contractor wants to execute work as less possible. But at the same time there is an anticipation that and will be given if things are less for example, I mean that notification part B if it is done then also the contractor takes a chance the land he will be handed over early within the stipulated time.

- Moderator:** Thank you. We will take the last question from the line of Parvez Akhtar of Edelweiss. Please go ahead.
- Parvez Akhtar:** Sir a couple of questions, what is the current maturity of long-term debt at the end at FY'16 standalone level?
- K. Venkata Ram Rao :** Around Rs. 5 crores.
- Parvez Akhtar:** Rs. 5 crores, sure and sir, what is the total quantum of loans and advances to subsidiaries at FY'16 end?
- K. Venkata Ram Rao:** We have infused actually Rs. 130 crores in Walayar and Rs. 52 crores in Muzaffarpur in this year so around Rs. 180 crores we have infused in this year.
- Parvez Akhtar:** And we may put another Rs. 20 crores in Kerala?
- K. Venkata Ram Rao:** Around Rs. 40 crores to Rs. 50 crores.
- Parvez Akhtar:** Okay. And sir, you said something about Isolux was the L2 so what was the bid amount, sorry I miss that.
- K. Venkata Ram Rao:** That is I think Rs. 564 crores but we are L1 actually.
- Moderator:** Thank you. Our next question is from the line of Anupam Gupta of IIFL. Please go ahead.
- Anupam Gupta:** Just a clarification on the tax rate so, what is the MAT rate available to you at the end of FY'16?
- K. Venkata Ram Rao:** You are talking about absolute figure?
- Anupam Gupta:** Yes, absolute figure, yes.
- K. Venkata Ram Rao:** That is around Rs. 14 crores.
- Anupam Gupta:** Rs. 14 crores, one-four?
- K. Venkata Ram Rao:** Yes, one-four.
- Anupam Gupta:** Okay. And secondly, you talked about FY'18 also being able to take the benefit of 80-IA but...
- K. Venkata Ram Rao:** Because if we continue this existing order book actually we can take 80-IA benefit in FY'18 also.

- Anupam Gupta:** Is that interpretation verified by the IT department or is the verification that whatever we execute beyond FY'17 will be full tax rate because that interpretation I have thought it is full tax rate which will be implemented from FY'18?
- K. Venkata Ram Rao:** It is mentioned that whatever the project commenced, if you already commence that project, you can get that benefit. If you enter the agreement after 2017, you would not get it.
- Anupam Gupta:** So that means then this tax rate can continue even in FY'18 - FY'19 also because...
- K. Venkata Ram Rao:** If existing order book is continued till most probably it will by 2018 it will over 2018 or some part of 2019, so that existing rate will prevail.
- Anupam Gupta:** Okay. And so basically for the current order book of Rs. 4,500 crores and the entire thing is eligible for 80-IA, right?
- K. Venkata Ram Rao:** Yes, almost even irrigation also, yes.
- Anupam Gupta:** Yes, because there is no private contracts at all there so everything will be eligible for that, right except the captive whatever small thing is left?
- K. Venkata Ram Rao:** Yes, correct.
- Moderator:** Thank you. Our next question is from the line of Pankaj Kumar of Kotak Securities. Please go ahead.
- Pankaj Kumar:** Sir, my question pertains to this Walayar project. So initially we were estimating somewhere around Rs. 78 crores of revenue on annual basis so roughly Rs. 20 lakhs per day. So, like any like I mean what is basically impacting their current toll collection because right now we are having some Rs. 11 lakhs and by when we are seeing it to be normalized?
- T. L. Verma:** There is a project ahead of that is being executed by IVRCL so, that project has unfortunately not been completed. With the result there is a divorcement of traffic once that would get completed it is not of course we have not, I mean kept the figure of Rs. 20 lakh per day but it was Rs. 18 lakhs, that is number one. Number two, there is one incomplete project just ahead of us that from Coimbatore to Walayar if that gets completed it will improve.
- Pankaj Kumar:** Okay. So by when we are expecting it to be normalize it, any timeline?
- S. Vaikuntanathan:** As of one date because of infusion reduction of the term loan the project has become self viable. Now, what we are now seeing once the project has become self viable and I was telling both the packages are completed then the toll revenue within further shoot up and there will be adequate profit also will be there.

- Pankaj Kumar:** Okay. So and if I look the debt this initial debt on this project was Rs. 500 crores. So, you said, we have reduced it to Rs. 350 crores by basically extending loans and advances to it?
- S. Vaikuntanathan:** Yes, correct.
- Pankaj Kumar:** Okay, sir. And the next question is any bidding pipeline that we have which I expect to be open in next one month or two months?
- K. Venkata Ram Rao:** Around Rs. 600 crores actually project are under pipeline that we are expecting to open by next two months to three months.
- Moderator:** Thank you. Our next question is from the line of Vibhor Singhal of PhillipCapital. Please go ahead.
- Vibhor Singhal:** Sir, just two quick questions, sir one is what is the status of the projects in Arunachal Pradesh for which the PWD Department has raised some concern in the month of December, so when do we expect those to be completed?
- T. L. Verma:** Actually they have given us a time up to 2018 but we have agreed to complete I mean barring two major bridges and two - three minor bridges which is height is more that will get extended up to 2018 otherwise by this year end or may be next working season it will be substantially completed.
- Vibhor Singhal:** So June, 2018 is what we can say that it should be majorly completed, right?
- T. L. Verma:** We have given up to May '18.
- Vibhor Singhal:** Okay, May '18?
- T. L. Verma:** Yes.
- Vibhor Singhal:** Okay. And next year basically you are saying most of the work should be completed?
- T. L. Verma:** Yes, because what has happened our JV partner was expecting this unfortunately we are not paying much attention, right.
- Vibhor Singhal:** Right.
- T. L. Verma:** So now we have got involved fully and that department is totally confident that we will be able to complete because of our old track record and we will do it.
- Vibhor Singhal:** Sure, sir. Definitely, and sir, my last question is again on that your Walayar BOT projects, so sir initially when the project was there I mean we had Rs. 900 crores of project cost with Rs.

500 crores of debt that is what was envisaged so any specific reason that we have reduced the debt amount and substituted that with addition Rs. 180 crores equity that we have taken this board approval for?

S. Vaikuntanathan: See actually you know the when we have completed the project before six months' time, in fact NHAI has also given award for completing the project in time, before time. What happens as our VP -- Technical was telling the proceeding and succeeding packages have not been completed. Succeeding package once it is completed naturally the passage of vehicle will be more just now they are taking a circuit route park because of the road both the side roads are not good. But even then we are getting Rs. 11 lakhs to Rs. 11.25 lakhs. The management thought that to make the project viable we have to reduce the loan. So that stand has been taken a loan has been reduced. Now, if you see because the loan has been reduced the rating has increased number one. Number two, the rating agencies have reduced the interest. Now, there are more institutions coming forward to refinance the reduced rate of interest for that project because it has become viable. So that project has been turn into a good project because of this.

Vibhor Singhal: Okay. So the debt for this project would probably remain at Rs. 350 crores what it is today or may be a little more than that?

K. Venkata Ram Rao: It will further reduce, we are targeting to reduce to go up to Rs. 300 crores in that SPV.

Vibhor Singhal: Rs. 300 crores?

K. Venkata Ram Rao: Yes.

Moderator: Thank you. Ladies and gentlemen, that was our last question, I now hand the floor back to to Mr. S. Vaikuntanathan for closing remarks. Over to you, sir.

S. Vaikuntanathan: Thank you, everyone for your participation in the ending conference call. We look forward to promising FY'17 in terms of the industry as well as the company. We have uploaded the Presentation on our company on the website. In case of further queries you may get in touch with Strategic Growth Advisors or Investor Relation Advisor or feel free to get in touch with us. Thank you very much for the participation. Thank you.

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

This document has been edited to improve readability.