



“KNR Constructions Limited
Q2 FY2021 Conference Call”

November 13, 2020



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LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the KNR Constructions Limited Q2 FY2021 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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 afternoon friends. I welcome you all on our earnings call for the quarter ended and half year ended September 30, 2020. Along with me, I have Mr. K Jalandhar Reddy, Executive Director, Mr. V. Narasimha Ramana, Senior Vice President, Technical, Mr. K Venkata Ram Rao, General Manager Finance and Accounts and Strategic Growth Advisors, our investor relation advisors. I hope you and your loved ones are safe and healthy during this pandemic time and would also ask you to keep following health advisories issued by the government authorities on hygiene and social distancing.

Let me begin with by giving you all a brief on the key industry updates and then we will discuss the company’s performance.

In the first half year of this fiscal year, the key headwind faced by the road construction sector due to COVID-19 induced disruptions has been availability of manpower. However, the roads sector is finally witnessing recovery with workforce strength near to pre-COVID levels and will gather further pace on account of the end of the monsoon season.

With COVID-19 pandemic casting shadow on overall economy, government is striving to boost public spending by investing heavily in infrastructure and has encouraged NHAI to build roads with full vigor and make it best year of highway construction. NHAI has awarded sizeable orders in year to date, providing strong support to road construction companies. So far in H1 FY2021 NHAI has awarded road contracts for building 1,330 kilometers of highways worth Rs. 47,289 Crores, which is 1.6 times higher than 828 kilometers awarded in FY2020 and 3.5 times higher than 373 kilometers awarded in FY2019 during the same period. For the awarded projects, NHAI has already completed at least 80% to 90% of the land acquisition, utilities shifting besides obtaining required forest and environment clearances. NHAI has set a target of awarding 4,500 kilometers of projects during FY2021. NHAI has plans to award contracts for Rs. 2 lakh Crores in the second half of this year. NHAI has also proactively used digital banking and used this channel to disperse about Rs. 10,000 Crores to contractors. Importantly, NHAI has also set up a Dispute Resolution Board to encourage resolution while the projects are still in progress.



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In the overall projects awarded by NHAI, the share of HAM projects had fallen to 28% in FY2020 from the peak of 55% in FY2017, primarily on account of delay in achieving financial closures, which have often led to delays in project execution. Despite the reduction in repo rate by RBI from 6.5% to 4%, interest to project SPVs continue to remain high compromising the viability of HAM projects. The HAM developers are paying much higher interest on their outstanding loans, than their project completion earnings from the government. However, to address these issues faced by HAM developers, the government has recently proposed to tweak the HAM business model. The tweaked norms comprise a few changes as follows:-

- Interest rate due and payable on the reducing balance of completion cost has been linked to the average one-year MCLR of top five scheduled commercial banks plus 1.25%. Earlier it was linked to RBI bank rate plus 300 basis points. This will vastly improve the viability of HAM projects
- The government pumps in 40% of the project cost as equity to developers during the construction period of HAM projects. The government has now proposed to release the funds to developers at higher frequency of 10 tranches against the current 5 tranches. This will lead to a better liquidity and reduction in working capital requirement at developers' end
- The developers may need to furnish bank guarantee every year against anticipated government payment for that year. Presently, the norm is to furnish bank guarantee for the entire duration of the project. The change to annual guarantees would de-risk the financiers

These changes, if implemented will increase the attractiveness of the HAM model to developers, resulting in their increased participation.

NHAI and MORTH has been making timely payments as and when bills are raised. The recent initiatives of the government to extend the loan repayment period for six months, partial bank guarantee, reduction in repo rate, etc., shall boost the sentiments for the industry.

Now coming to Toll collections. After a dismal toll collection in the Q1 of this year due to COVID-19 led lockdown, the road traffic has recovered, and the toll collection has picked up sharply in the Q2. The toll revenue recorded in September is the highest that was recorded in this calendar year. According to electronic toll collection data across national highways. compiled by a research arm of rating of agency CRISIL, more than 110 million vehicles hit the highways in September with collections of Rs.1,941 Crores. In November, so far, the traffic movement of national highway across the country has surpassed the pre-COVID levels and the toll collection has reached 114% of the pre-pandemic period. This is despite, reduced recovery in passenger traffic movement. The recovery in toll collections will boost project awarding activity further and help companies to monetize their road assets.



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The government's direction to move towards 100% digital transaction for payments at the toll plaza has provided the required impetus to FASTag adoption. The government has made the use of FASTag mandatory across at least 75% of the lane of toll plazas and has limited use of cash payment to maximum 25% lanes of toll plaza. NHAI recently disclosed that number of FASTag users in the country has crossed 2 Crores landmark, registering a robust 400% growth in a year. This has helped reduce revenue leakages substantially and daily toll income has increased from Rs. 70 Crores per day to Rs. 92 Crores per day. Currently revenue from FASTag constitutes about 75% of the total toll collection.

Now coming to the key updates of the company.

The project execution has gathered pace post graded easing of lockdown in Q2 FY2021. Our average operational effectiveness in this quarter stood at 80%. We have about 80% of our manpower requirement and we expect our workforce strength to reach the pre-COVID-19 level post the festive season.

The percentage physical progress as on September 30, 2020 for our four HAM projects is as follows.

- Chittoor to Mallavaram is at 64%
- Ramsanpalle to Mangloor is at 56%
- Trichy to Kalagam is at 50%
- Magadi to Somwarpeth at 14%

On October 5, 2020 we have also received appointed date for our 5th HAM projects that is Oddanchataram to Madathukulam (KNR Palani HAM project), which is worth Rs. 920 Crores (BPC). During the quarter, the execution has primarily driven by Trichy to Kalagam, Chittoor to Mallavaram and Ramsanpalle to Mangloor road projects and Mallanna Sagar and Vattem irrigation projects. Our deal to divest these three HAM projects is on track and we plan to complete sale of three HAM projects after COD plus two years, which will help us to free up our equity for new projects.

Out of the Rs. 624.28 Crores equity requirements for all the 5 HAM projects, we have already invested Rs. 226.7 Crores as on September 30, 2020. Our incremental equity requirement stands at Rs. 240 Crores, Rs. 108 Crores and Rs. 50 Crores for FY2021, FY2022, and FY2023 respectively. You can refer slide number 26 of our investor presentation for detail on each HAM projects.

The toll collection for our Bihar project that is Muzaffarpur to Barauni the collection in Q2 FY2021 has been Rs. 12 Crores. We have invoked force majeure clause as per the concession agreement and are under discussion with NHAI for eligible compensation.



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Now coming to our order book position. During the quarter, we have received an order for construction of elevated highway along Avinashi Road in Coimbatore City worth Rs. 1,157 Crores from the Government of Tamil Nadu, which is to be completed within a period of 48 months from the appointed day. As on September 30, 2020 we have an outstanding order book position of Rs. 8,555 Crores. EPC road projects and HAM projects constitute 55% of our total order book while irrigation projects constitute the remaining 45%. Client wise, 69% of our order book is from third party clients and balance 31% is from captive HAM projects. Our third-party order book or non-captive order book, which accounts 69% of the total order book position is skewed between state government contracts with 49%; whereas 4% is from central government and balance 16% order book is from other private players.

Our current order book position is robust and provides visibility of execution over the next three years. Robust project pipeline and ready DPRs (Detailed Project Reports) under the Bharatmala Project should accelerate the project awarding activity in the second half of this year. The process of submitting 10 to 15 bids for the road projects is currently underway. The average ticket size of the tender for each project is about Rs. 1,000 Crores. Based on our shortlisted projects the bidding pipeline for the current financial year, we are targeting a further order inflow of Rs. 2,000 Crores to Rs. 2,500 Crores in the second half of this fiscal year.

We are pleased to have received “Top Challenger Award” at the 18th Construction World Annual Rewards in October 2020.

Now coming to Irrigation projects. There has been delay in collection of dues for the irrigation projects from the Telangana Government, as the government had to divert its funding towards other essential sectors and services to prioritize COVID-19 relief measures. The total exposure to the Telangana Government projects as on September 30, 2020 amounts to Rs. 740 Crores. This includes billed, unbilled and work in progress. We expect the receipt of the first tranche of payment of approximately Rs. 300 Crores from Telangana Government by the end of November 2020 and balance will be in the Q4. Already the government has initiated certain moves to release the payments at an early date, which we will come to know within the next 10 days. We are also planning to start our operations on the new irrigational projects also.

Coming to monetization of Walayar-Vadakkancherry BOT project. In September 2020, we have completed the sale of 100% stake in Walayar-Vadakkancherry BOT project (i.e. KNR Walayar Tollways Private Limited) to Cube Highways and Infrastructure III Private Limited at an enterprise value of Rs. 512 Crores. Debt on the project stands at Rs. 127 Crores and the deal's equity value stands at Rs. 385 Crores. Out of the total equity value of Rs. 385 Crores, we have realized payment of Rs. 308 Crores in the month of September 2020, while the remaining Rs. 77 Crores has been withheld and will be released on achieving various milestones over the next two years. In addition to the equity value, any claim receivables from NHAI and other governmental instrumentalities would be passed through to KNRCL as and when they are realized. The SPV has also received arbitration award of Rs. 170 Crores from NHAI, which will be passed on to the



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company as and when realized by SPV. Out of the withhold receivables, the company has received Rs. 6.01 Crores in the month of October 2020. The provision has been made for an amount of Rs. 5.2 Crores in the current quarter. From the proceeds of the deal, the company has fully repaid its unsecured loan of promoters. The deal has further strengthened our balance sheet enabling us to bid for more HAM projects going forward. Also, on completion of the deal, there has been an exceptional income of Rs. 85 Crores that we have booked in Q2 FY2021 in our consolidated financials, as the equity value is higher than the net worth of the SPV.

Now I request Mr. K Venkata Ram Rao, our GM to present the results for the quarter and half year ended September 30, 2020. Over to Venkata Ram Rao!

K V Ram Rao:

Thank you Sir. Let me take you through the Q2 and H1 FY2021 standalone financial performance. We have recorded a 10% year-on-year growth in our total revenue from Rs. 546 Crores in Q2 FY2020 to Rs. 601 Crores in Q2 FY2021. EBITDA came in at Rs. 124 Crores in Q2 FY2021 as compared to Rs. 126 Crores in the same period last year. EBITDA margin in the current quarter stood at 20.6%. Profit after tax, post exceptional items, stood at Rs. 50 Crores in Q2 FY2020 as against Rs. 70 Crores in the same quarter last year. There is an increase in finance cost by Rs. 5.9 Crores for Q2 FY2021, which is due to recognition of fair value interest on long term receivables from KWTPL that is Walayar project, which is onetime expense to the finance cost and the corresponding finance income will be accounted over the period of two years.

Now, coming to our standalone performance for H1 FY2021. Revenue from operation in H1 FY2021 was up by 7% to Rs. 1,081 Crores from Rs. 1,011 Crores in H1 FY2020. EBITDA witnessed a marginal growth of 1% from Rs. 216 Crores in H1 FY2020 to Rs. 218 Crores in H1 FY2021. Our EBITDA margin in H1 FY2021 stood at 20.2%. PAT for H1 FY2021 was recorded at Rs. 90 Crores as compared to Rs. 118 Crores in H1 FY2020.

A quick summary for the consolidated performance is as follows. The consolidated revenue for the quarter grew by 12% to Rs. 656 Crores in Q1 FY2021 from Rs. 587 Crores in Q2 FY2020. EBITDA for Q2 FY2021 witnessed a growth of 8% to Rs. 171 Crores as compared to Rs. 158 Crores in Q2 FY2020. EBITDA margin in Q2 FY2021 stood at 26.1%. Net profit for the quarter, post exceptional items, was Rs. 154 Crores as compared to Rs. 83 Crores in Q2 FY2020.

Now coming to our consolidated performance for H1 FY2021. Revenue from operations in H1 FY2021 stood at Rs. 1,178 Crores, up by 5%, as compared to Rs. 1,118 Crores in H1 FY2020. EBITDA witnessed a growth of 10% from Rs. 274 Crores in H1 FY2020 to Rs. 301 Crores in H1 FY2021. Our EBITDA margin expanded by 104 basis points to 25.6% from 24.5% in H1 FY2020. PAT for H1 FY2021, post exceptional item, witnessed a jump of 53% to Rs. 196 Crores from Rs. 128 Crores in H1 FY2020. Please note that the consolidated financial includes the profit on sale of Walayar SPV amounting to Rs. 85 Crores, which is accounted as exceptional item in Q2 FY2021.



Now moving on to standalone balance sheet, we continue to maintain a strong balance sheet. During the quarter we have been able to repay fully the loan from the promoters through the proceeds received from the sale of our Walayar project. The total debt outstanding as on September 30, 2020 is Rs. 64 Crores as compared to Rs. 230 Crores as on March 31, 2020. The debt to equity as on September 30, 2020 is 0.01x as compared to 0.12x as on March 31, 2020. On our working capital front, we have seen improvement in first six months of the current financial year, which improved by nine days from 53 days as on March 31, 2020 to 44 days as on September 30, 2020. The improvement has been largely driven by improvement in receivables. The consolidated balance sheet has undergone a change due to deconsolidation of Walayar project on account of sale to Cube Highways. Our total of Rs. 127 Crores debt has been deconsolidated from our balance sheet as of September 30, 2020. The consolidated debt as on September 30, 2020 is Rs. 800 Crores as compared to Rs. 845 Crores as on March 31, 2020. The reduction is not visible as we have also drawn debt from our under-construction HAM project. The net debt to equity as on September 30, 2020 stands at 0.42x as compared to 0.48x as on March 31, 2020. With this we open the floor for questions and answers.

Moderator: Thank you very much. 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 Mohit Kumar from DAM Capital Advisors. Please go ahead.

Mohit Kumar: Good afternoon Sir and congratulations on a good set of numbers. Sir my first question is on the guidance, are we giving any guidance for FY2021 now and on the irrigation projects the Q-o-Q we do not see much movement do you expect H2 the work to start especially in Rs.2300 Crores project, which you won in Q1 and recently you won Rs.11 billion project in Coimbatore has the work started and what is the kind of run rate you are expecting on that on a quarterly basis?

K Jalandhar Reddy: In Q3 we had one-month rain in Tamil Nadu. We are expecting similar revenue like in Q2, plus or minus 5%. So, we are looking at about Rs. 600 Crores kind of turnover. As far as Q4 is concerned, it could be better because the rainy season would be over and COVID effects also could come down and thus we will have a full-fledged execution. So definitely expecting revenue of about Rs. 700 Crores odd.

Mohit Kumar: Has some work started on the irrigation projects?

K Jalandhar Reddy: The work on new set of irrigation projects is likely to start in coming two months. In Q4 we can expect some contribution from those projects. And we have not stopped ongoing projects and we have been now started receiving payments. So definitely by month end, we will be in more comfortable position. We may get at least 70% of our outstanding payments from the irrigation projects, so it will be a good situation for us.

Mohit Kumar: What about Coimbatore project?



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- K Jalandhar Reddy:** For the Coimbatore project, the agreement is done and the appointed date is expected. I think there is an inaugural function, which is being planned by the CM of Tamil Nadu. So post inauguration, they will give the appointed date to us. I think in a couple of weeks, it should happen.
- Mohit Kumar:** Secondly on the trade receivables of course there is a large part quantum is linked to Telangana what is the kind of run rate you are expecting by Q4, do you expect the entire Rs.740 Crores billed plus unbilled revenue to be extinguished by Q4?
- K Jalandhar Reddy:** Pardon me. I could not get the questions.
- Mohit Kumar:** On the receivables, from Telangana irrigation projects, you quoted about Rs.740 Crores, out of which some part is billed and some part is unbilled. Can we expect complete extinguishment of this entire Rs.740 Crores by Q4?
- K Venkat Ram Rao:** Majority of payments we will receive. As we told you, we are expecting large payments in this month and by Q4 we will be able to receive entire payment.
- Mohit Kumar:** Understood Sir. Thank you Sir and best of luck. Thank you.
- Moderator:** Thank you. The next question is from Vijay Kumar from Spark Capital. Please go ahead.
- Vijay Kumar:** My first question is on the receivables from Telangana Sir. So if I remember last time when we spoke, the overall dues were about Rs. 680 Crores from the Telangana projects including Mallanna Sagar, KP Sagar, etc. So that has come to Rs. 740 Crores now am I right?
- K Venkat Ram Rao:** Yes, correct
- Vijay Kumar:** We were expecting about Rs. 480 Crores to come in by September, so that has been delayed to November now. Am I right Sir?
- K Venkat Ram Rao:** We are expecting most of the payment by this month. We were told that we will receive around Rs. 300 Crores by this month and by March entire payment will come through.
- S Vaikuntanathan:** Just now we have received information in one project we have received Rs. 67 Crores and approximately around Rs. 99 Crores in another project has been received by JV. So now the payment receipt is in the pipeline. So we hope, as our ED was telling, we will receive the entire payment before this month end and if anything is left, it will be spilled over to may be in Q4.
- K Jalandhar Reddy:** Sir now because of NABARD loans, all is in place. So there should not be any problem. And whatever these predictions we made, that this will be paid in this month or this quarter, whatever we have said is all based on the reports we are getting from each department. So mainly the delay was there because of the COVID situation. Now things are normalizing, so there should not be



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any problems. Even if we take our earlier experience before COVID, during those days we were regularly paid. So in coming future, the payments should become regular.

Vijay Kumar: No problem. My next question was regarding his Kaleshwaram Project, where we were waiting for funds to be tied up by the state with NABARD, etc., so you were telling that is done now?

V. Narasimha Ramana: We have started receiving payments.

S Vaikuntanathan: Our senior technical VP, Mr. Ramana is just confirming that they have already piled up the funding and now we will be in the process of receiving the payments as and when the bills are submitted.

Vijay Kumar: Final question on this Palamuru Rangaridddy Lift Irrigation project with Navayuga. So how is the progress their Sir?

S Vaikuntanathan: We have made almost 30% progress Today only, the bank has confirmed that we have received the funds. See now the funds inflow has started happening and that is good news and it will continue to happen.

Vijay Kumar: Okay Sir I got your point. Thank you so much Sir.

Moderator: Thank you. The next question is from Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: Good morning Sir. Thanks for taking my question. Sir just continuing on the irrigation projects. Recently there was some objection raised by NGT on the Kaleshwaram Project. I know it was a very small technicality, that the clearance was earlier taken as a water project and not an irrigation project - because of which they had announced some halt on all the construction activities, So is that issue being resolved or do you believe it could impact execution on the project going forward?

V. Narasimha Ramana: There is no impact at all on the execution and the department has clearly said that there is no issue in this. We can proceed with the execution. In fact we are proceeding with the new projects also.

K Jalandhar Reddy: We spoke to the department about the questions raised by the central government. We have already given an answer to them and we got the reply concerning the same. We are quite confident that there should not be any issues, that is what has been confirmed by the secretary.

S Vaikuntanathan: The approval of the NABARD loan itself conveys that there is no issue.

Vibhor Singhal: Right Sir. In fact, I was coming to back that - since NABARD has already given the money, so is the issue considered to be closed?



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- S Vaikuntanathan:** NABARD has given and disbursement has started.
- Vibhor Singhal:** That is great to hear. Also, Sir just wanted to understand on the sale of this Walayar Project. So we have already received Rs. 308 Crores from Cube Highways right Sir?
- K Venkat Ram Rao:** We have received that amount in the month of September itself.
- Vibhor Singhal:** How has that money being used? How much of it has gone to pay back the promoter loan?
- K Venkat Ram Rao:** Around Rs. 210 Crores we have paid back to the promoter, i.e. whatever was the outstanding to the promoters was as on that date and balance towards working capital.
- Vibhor Singhal:** So balance we have used for the working capital?
- K Venkat Ram Rao:** Working capital.
- Vibhor Singhal:** Right Sir. Great Sir. Sir just one last question from my side. I just wanted to get the clarity on this Rs. 11 Crores of exceptional item at a standalone level. So why has this exceptional item been taken for the Walayar Project?
- K Venkat Ram Rao:** For Walayar Project, initially we agreed around Rs. 385 Crores of the equity value, but in this project we put around Rs. 396 Crores. So total actually write-off is around Rs. 12 Crores. Out of Rs. 12 Crores, we have already provided provisions for Rs. 6 Crores in the last quarter of the last year i.e. March 2020 and balance around Rs. 6 Crores that we have provided in this quarter. Other than this, we have some withholds of around Rs. 77 Crores. Out of this withholds, some of them are linked to the toll collections for the next milestone payment. So against that, we expect that around Rs. 5 Crores provision is required to be made and we made that provision. So total of around Rs. 6 crores plus Rs. 5 crores come to Rs.11 Crores, for which provision has been made during this quarter.
- Vibhor Singhal:** Sure so Rs.6 Crores is for the higher equity that we have invested and Rs.5 Crores for the withhold against which we expect, or future may be provision right?
- K Venkat Ram Rao:** Yes correct.
- Vibhor Singhal:** Great Sir. Sir just lastly if I could squeeze in one more question on the margins front. Our margins again were very strong in this quarter. The EBITDA level is around 20%. So just wanted to get a little bit more clarity on this. Where do you see the margins going forward? Do you believe that with the irrigation now forming 45% of the order book, could we probably have 18% to 19% EBITDA margin as the sustainable range?
- K Venkat Ram Rao:** From margins perspective actually 17% to 18% is sustainable. But given these irrigation projects and HAM projects start contributing to the turnover, our margin has slightly improved. So that is



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why we said that our sustainable margin is around 17% to 18%, but based on the contribution from the HAM and irrigation project it could be around 20%. But as we have guided earlier, our sustainable margin is between 17% to 18% only.

Vibhor Singhal: Sure Sir and just one more if I may. Sir we have taken these irrigation projects. There are also a lot of projects coming in the water segment under the PM Jal Vikas scheme. A lot of these projects were awarded in UP recently. Are we interested in that segment? Are we looking to bid for those projects either in North India or if they come to South India? What is our stance on those projects?

S Vaikuntanathan: Our present order book position provides a visibility of two to two-and-a-half years. We are also bidding for a number of HAM projects and hope to bag two or three HAM projects. So because of that, I think we will be first concentrating on this and then as and when we require further orders, then we will think of it, but not immediately.

K Jalandhar Reddy: I have one more to point to add as far as order book is concerned. As we are already nearing to complete three HAM projects, which are now in progress like Chittoor-Mallavaram, which has crossed 70% and even that Ramsanpalle-Mangloor, which is also around 60% and the Trichy-Kalagam is also around 55%. So execution of all these HAM projects has progressed to 60% to 70% range. So by the time we commence bidding for a new HAM project, after we bag project, it takes six months for financial closure and all other processes. So definitely we will add three more large ticket size jobs, which we are now bidding. Hopefully we will add Rs. 3,000 Crores to our orderbook in few months.

Vibhor Singhal: Sure Sir. Thank you so much for taking my questions and wish you all the best and Happy Diwali to you.

Moderator: Thank you. The next question is from the line of Priyankar Biswas from Nomura. Please go ahead.

Priyankar Biswas: Sir wishing you a Happy Diwali first and congratulations for good results. So Sir my first question is like what I see from your slides that except your Oddanchataram project, which is recent, all the other HAM projects have more or less greater than 50% execution. So has Cube started putting in its money, i.e. equity fund flow that are expected to come from Cube?

K Venkat Ram Rao: As we already told in our last investor call also, that due to COVID pandemic and other measures that the government has taken, the equity amount from the Cube has become too costly for us and that is why we have taken a call that we will bring that money and that money is definitely cost less. So now we have taken that call that we are not going to get money from the Cube. But once we complete the project, then we will sell these projects after COD plus two years to Cube.



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- Priyankar Biswas:** Regarding this Oddanchataram HAM. Since this has also got appointed date, so what is your progress regarding this being sold to Cube? So that was the plan, right?
- K Venkat Ram Rao:** Plan is there, but right now it is in very early stage to say anything.
- Priyankar Biswas:** The rules for HAM have been changed to MCLR plus 125 basis points for one year. So in that case, what is the effective interest rate coming out based on the MCLR of the banks and how does it compare with your borrowing cost?
- K Venkat Ram Rao:** It has come very recently. We are working out. but we expect that it may be between the end of 1% to 1.5% will be definitely increased in the current bank rate, so as of current bank rate is coming to around 7.25%, So definitely there will be improvement by 1% to 1.5% in the revenue side is what we can see.
- Priyankar Biswas:** So, like something like 9% is what we can work on right?
- K Venkat Ram Rao:** It may be. That is why we are working out. It will be in that range only.
- Priyankar Biswas:** Sir last question from my side. What I understand from these irrigation projects, that there were some political disputes between Telangana and Andhra Pradesh regarding the water sharing. So despite that NABARD went ahead and gave the loans. So is there any overhang from these political disputes still remaining on the execution of these irrigation projects?
- S Vaikuntanathan:** There is no impact and work is going on and the government is very clear that it will complete the work. Moreover, you should understand these projects are funded by nearly 20 financial institutions. And almost projects are on the brim of closure. So that is why there would not be any impact on this.
- Priyankar Biswas:** Sir just can you give me the pending order book number from Hubli-Hospet?
- K Venkat Ram Rao:** It is Rs. 188 Crores.
- Priyankar Biswas:** Okay Sir that is all from my side.
- Moderator:** Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.
- Jiten Rushi:** Good afternoon Sir and congratulations on a good set of numbers. Sir the question is related to irrigation. So far how much work we have done combined on the two irrigation projects - if you can give us a breakup separately for two?
- K Venkat Ram Rao:** In Mallanna Sagar irrigation project we have completed around 60% of work and for Vattem irrigation project we have completed around 30% of work.



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- Jiten Rushi:** Sir we had received around Rs.150 Crores in FY2020 for this work?
- K Venkat Ram Rao:** For Mallanna Sagar we had received. first bill payment we have received and for other bills we are expecting the payment very shortly.
- Jiten Rushi:** Sir out of this Rs.740 Crores, which is remaining, we have received Rs.150 Crores so far right?
- K Venkat Ram Rao:** No, that Rs. 740 Crores is excluding that Rs.150 Crores which is already booked and payment has been received. So the pending receivables as of September is Rs. 740 Crores.
- Jiten Rushi:** Sir when can we expect the completion of these two projects?
- V. Narasimha Ramana:** Mallanna Sagar we will complete in another six to eight months.
- Jiten Rushi:** Six to eight months and the next one?
- V. Narasimha Ramana:** Vattem will take more than one year because there was some land issue and they have been resolved recently. They also paid the land acquisition cost recently, which is getting distributed. So once the payment is distributed to the farmers, we can comfortably continue execution in the balance phases also and target completion mostly in one year.
- Jiten Rushi:** Because there were some 4 to 5 kilometers of land issue and that has been solved now?
- V. Narasimha Ramana:** Yes it is getting sorted out. The payment has been released and it is being distributed to the farmers now.
- Jiten Rushi:** On the labor situation and the operating efficiency. What is the level now?, As you said at the fag-end of Q2 it was 80%. So now what are the labor levels and the efficiency levels in terms of execution?
- K Jalandhar Reddy:** Execution efficiencies are almost at 80% of the capacities what we are able to do. If not for the funding issues in the irrigation, we could have done a little better. So overall we are running at 80% efficiency.
- Jiten Rushi:** We were also at similar levels available right now Sir?
- K Jalandhar Reddy:** Yes the main problem is with the labor. We are already equipped 100%. o The labor availability or the operators part of the staff are only at 80%, because at some places people are getting COVID and they are just going away. At some place labourers have doubt and they are keeping themselves in quarantine. There is not as much comfort in labour availability as we used to have earlier.



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- Jiten Rushi:** Sir because of this COVID rules like maintaining social distancing, even if you have labor strength to full, will these social distancing norms impact the execution?
- K Jalandhar Reddy:** That is what the problem is. We must maintain the social distancing and everything. People tend to violate and then get infected. But we are trying our best to provide every aspect of safety measures and try to follow the guidelines given.
- Jiten Rushi:** So from the irrigation side, almost Rs. 99 Crores for Mallanna Sagar irrigation project and Rs. 67 Crores for the other irrigation project will come probably in this month right Sir?
- K Venkat Ram Rao:** Yes, very soon.
- Jiten Rushi:** Sir on three HAM projects - Chittoor, Ramsanpalle and Trichy - so can we expect completion by the end of this year?
- V. Narasimha Ramana:** We are targeting by January to March.
- Jiten Rushi:** In February, we may expect Chittoor and Ramsanpalle to be probably completed by February?
- K Jalandhar Reddy:** No, Ramsanpalle could be completed around March, because again it depends on the COVID situation. But we are targeting to deliver by March. Chittoor we are planning to complete by February. And maybe by April or May we may complete the Trichy project. We should achieve the schedule completions plus or minus two months..
- Jiten Rushi:** Land is available completely for all these three?
- K Jalandhar Reddy:** No. Trichy project has been delayed because of land only.
- Jiten Rushi:** What is the land implication?
- K Jalandhar Reddy:** The worst is in the Trichy project. About 5 kilometers, of land has still not been given. And because of that the entire 14 kms bypass cannot be opened Thus more than 50% of the carriage way is not accessible because in between portions are not complete. So because of that it is quite difficult for us to achieve COD. That is why, it is extending beyond the expected timeline. Because of this and also due to COVID as well has heavy rains, we are expecting delay of two months to three months. So cumulatively we are expecting 90 days delay. We may complete Chittoor on time or maybe five to six months ahead of schedule. Ramsanpalle we may complete in another two months and gain at least two months bonus. Only Trichy project execution has gone a little bit out of control.
- Jiten Rushi:** Equity requirement of almost Rs. 400 Crores is remaining. Can you just give us a breakup on how much you are investing for this second half and the balance?



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- K Venkat Ram Rao:** Around Rs. 240 Crores we will invest in this year and around Rs. 100 Crores in next year and the balance Rs. 50 Crores is FY2023.
- Jiten Rushi:** So out of this Rs. 240 Crores, anything invested so far?
- K Venkat Ram Rao:** This quarter we have invested around Rs. 50 Crores
- Jiten Rushi:** In Q2?
- K Venkat Ram Rao:** In Q3. We have invested after September
- Jiten Rushi:** Rs. 240 Crores in H1?
- K Venkat Ram Rao:** Yes.
- Jiten Rushi:** What is the Capex plan now because now the new irrigation projects will also start?
- K Venkat Ram Rao:** So far six months we did around Rs. 35 Crores of capex and this year it is expected to touch around Rs. 100 to Rs. 120 Crores only, because all the projects are at very initial stage - new irrigation projects and our Tamil Nadu flyover project.
- Jiten Rushi:** Sir one last question from my side. Sir in the cash flows you have shown some proceed from sale of investments. So has the adjustment been done, because the consolidated number is a bit higher and annual is a bit lower. So what are the actual proceeds? We have received some Rs. 308 Crores right Sir?
- K Venkat Ram Rao:** Rs. 308 Crores are the net proceeds we have received from Walayar project.
- Jiten Rushi:** There is no profit in this right?
- K Venkat Ram Rao:** There is no profit. We have written off Rs. 11 Crores. We invested Rs. 396 Crores. Cash received is Rs. 308 Crores and balance around Rs. 77 Crores is withhold that we will be received on achieving certain milestones. Out of this Rs. 77 Crores, we have received Rs.6 Crores after September and based on other milestones, remaining money will come.
- Jiten Rushi:** What are the orders outstanding as on date? How much is HAM and in which region? Can you just highlight that, because we are expecting some Rs. 2,000 Crores to Rs. 2,500 Crores of inflow from the roads. So is there a big pipeline in specific project, if you can highlight?
- K Venkat Ram Rao:** Sir we are bidding around 10 to 15 projects basically in the HAM mode. Out of that around four projects are in Kerala, three are in Tamil Nadu and three are in Telangana. As of now we have bidded for one project in Telangana, for which results are awaited. But totally we are bidding for around 10 to 15 and we are expecting Rs. 2,000 Crores to Rs. 2,500 Crores of order inflow.



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- Jiten Rushi:** That is it from my side and all the best and wish you all a Happy Diwali Sir. Thanks a lot.
- 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. Sir just wanted to check on Palamuru. We know that Mallanna Sagar and Kaleshwaram subsequent projects are all going to be funded by banks, but how much comfort do we have on Palamuru - because we have already started the work and we are 30% through?
- K Venkat Ram Rao:** Palamuru project is through budgeted support as of now, but the government is also trying to get funding for that project also. Today around Rs. 66 Crores has been released.
- V. Narasimha Ramana:** We are expecting another Rs. 150 Crores by end of the month.
- Ashish Shah:** Additionally?
- S Vaikuntanathan:** Yes. See now the inflows are trickling in from the government. So they are also planning to complete all the projects and take the funding from institutions.
- Ashish Shah:** Sure Sir got it. On the revenue breakup if you can please help with the breakup between highways and irrigation for the Q2?
- K Venkat Ram Rao:** Irrigation, projects contributed around Rs. 138 Crores, that is around 23% of total revenue. HAM projects contributed around Rs. 315 Crores that is around 53% of total revenue and balance came from our other EPC and back to back projects.
- Ashish Shah:** Sure. Was there any change of scope added to the irrigation order book during the quarter?
- K Venkat Ram Rao:** It is not much.
- Ashish Shah:** Got it. Lastly you did talk about the interest cost having the fair value impact before receivables discounting. So how much was that Sir?
- K Venkat Ram Rao:** Around Rs. 5.9 Crores
- Ashish Shah:** So Q2 impact was about Rs. 5.9 Crores?
- K Venkat Ram Rao:** Yes.
- Ashish Shah:** On the interest cost and what will happen is that this will over a period of time flow to the other income?



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- K Venkat Ram Rao:** Over a period, the corresponding income will also come.
- Ashish Shah:** Sure, that is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.
- Chintan Sheth:** Thanks for the opportunity and good set of numbers and seasonal greetings to the team. Sir I need to understand the HAM accounting. So when I look at your standalone EPC order book around Rs. 315 Crores of HAM revenues, but in consolidated that translates into other financial assets on the non-current side. Is that the understanding right? And once we receive the NOC from NHAI that translates into cash. But we are not accounting any receivables from NHAI in our accounts, is it true? How this works, if you can broadly make us understand?
- K Venkat Ram Rao:** As per Ind-AS 115, whatever the construction costs incurred, during this period you have to account it as a financial receivable and when this annuity comes, you have to net off this receivables and make this receivables zero at the end of the project life. So this is accounting standard and we are doing as per accounting standard only.
- Chintan Sheth:** So when you receive it, to that extent our other financial assets will reduce right?
- K Venkat Ram Rao:** Yes. It will reduce correct.
- Chintan Sheth:** Right and when is the next NHAI annuity receivable? Is that a fixed timeline or is the project specific?
- K Venkat Ram Rao:** Timeline is there, as per the concession agreement. Every six months they will give, based on the percentage that is mentioned in the concession agreement.
- Chintan Sheth:** What is the expected receivables in the next six months? Any funds due from NHAI till March?
- K Venkat Ram Rao:** It is after COD only we will start. So as of now there is no expected receivables from NHAI. Again that financial asset is receivable.
- Chintan Sheth:** So, right now we have to invest and post COD we will start releasing the annuity
- S Vaikuntanathan:** Releasing the annuity.
- Chintan Sheth:** Will the the change of HAM policy i.e. plan release the funds to developers at higher frequency of 10 tranches against the current 5 tranches - will this help us in terms for cash flow?



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- K Venkat Ram Rao:** The money will be released early, so it will help us. Previously you must do some milestone, based on 10, 20, and 30, 50, 75, and 90 this money is coming so definitely there will be improvement in working capital.
- V. Narasimha Ramana:** More periodic inflow will be there
- Chintan Sheth:** Right and lastly again on this part, so this new policy does not change the payment structure. It will happen only after the COD happens?
- K Venkat Ram Rao:** Yes, some payment which we must receive pre-COD that is 40% of grant, so it will come like that and some payment during the operation period.
- Chintan Sheth:** So 40% of the project cost will come as a grant before COD?
- K Venkat Ram Rao:** Yes correct.
- Chintan Sheth:** How much of that in the receivable pending till March and may be next year?
- K Venkat Ram Rao:** Sir this is based on the achievement of the milestone payment. Whatever the milestone payment we got, we got all the receivables as of now. There is no pending receivable from NHAI.
- Chintan Sheth:** Based on the milestone, you will continue to receive from NHAI?
- K Venkat Ram Rao:** Yes.
- Chintan Sheth:** Okay thank you. That is all from me.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss Securities. Please go ahead.
- Parvez Akhtar:** Good afternoon Sir. I have a couple of questions from my side. First what is the kind of tax rate that we envisage in the second half of this fiscal and in FY2022?
- K Venkat Ram Rao:** Tax rate will be the same actually. With deferred tax asset it will come around 25%. If you exclude the deferred tax it is full tax only. So you can consider full tax only. .
- Parvez Akhtar:** Sure and the same for FY2022 also?
- K Venkat Ram Rao:** For FY2022, we will see whether we will opt for new tax regime. If we opt for new tax regime our tax rate will be 25% tax regime. But we have to really work out for next year, because we have some projects, which we are claiming ATIA and once you go to a new tax regime then we will not be able to claim all these benefits. So we have to really work out for next year. So which one will benefit us more, we will opt for that.



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- Parvez Akhtar:** What is the kind of depreciation trajectory that we see going ahead, because at least in this year it has been lower compared to last year. So how do we see that going ahead?
- K Venkat Ram Rao:** This year so far there is not much addition in assets. But from second half year and next year we have got irrigation projects and road projects. So now depreciation will definitely increase because we will add new assets. If it is irrigation and project life is 3 years, so more depreciation will come. So now we expect that definitely increase from Q3 and Q4.
- Parvez Akhtar:** Sure. Thanks that is it from my side. All the best and Happy Diwali.
- Moderator:** Thank you. The next question is from Shravan Shah from Dolat Capital Market. Please go ahead.
- Shravan Shah:** Congratulations and I think most of the questions have been answered. Couple of clarification. Sir just continuing this part depreciation and capex. So this year we are seeing Rs.100 Crores to Rs.120 Crores, so next year when the execution on the newly won irrigation projects will be picking up, how do we see the capex for next year?
- K Venkat Ram Rao:** For the next year capex, we will assess the situation.as whatever the project we have got are not like the old ones. This is a new type of project, so we are working out the design. So once the design is finalized, then we will able to know what is the capex requirement for the next year..
- Shravan Shah:** When we are saying the deprecation will increase from Q3 will it increase from around Rs. 33 - Rs. 34 Crores, to Rs. 45 Crores plus?
- K Venkat Ram Rao:** May it will be around Rs. 40 Crores.
- Shravan Shah:** Okay and on the order inflow front when we are expecting Rs. 2500 Crores to Rs. 3000 Crores and we are looking at mostly HAM. So we are not looking at any other irrigation or any other segment currently?
- K Jalandhar Reddy:** I think there is very less scope for irrigation projects. There have been a lot of tenders in roads sector, which we can look. Expressways are being planned -between Bengaluru and Chennai has started, Hyderabad to Mumbai likely to be start. So there is a lot of scope even in Kerala, Karnataka, Tamil Nadu, Maharashtra and Madhya Pradesh. These areas also now coming up. Also, under Bharatmala Pariyojna regular biddings are also happening.
- Shravan Shah:** So, most of all we would be targeting the HAM projects at least for this half?
- K Jalandhar Reddy:** As you know we are likely to complete three projects in six to seven months, so definitely if we get any new order it can be executed only after six to seven months or it may also take eight to nine months. So it is the right time for us to take three good size jobs, so around Rs. 3,000 Crores of order inflow we are targeting.



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- Shravan Shah:** Sir this Hubli project when we are expecting to be completed, by March end?
- K Jalandhar Reddy:** As far as completion of Hubli project is concerned it would depend on the other partner i.e. BSCPL. We are likely to complete our portion by this January or mid February, but our partner is progressing slower. So it may take few more months to complete that. We are trying to achieve 80% completion by March.
- Shravan Shah:** So, out of the current outstanding order book of Rs. 187 Crores for Hubli project, we are saying out of that 80% would be over by March?
- K Jalandhar Reddy:** Out of Rs.180 Crores, already project work worth Rs.60 Crores to Rs.70 Crores has executed. So project work worth Rs.110 Crores is left to be done. I think by March, we will be able to complete that entire portion.
- Shravan Shah:** Sir, of the new two irrigation project worth Rs. 1,600 Crores and Rs. 700 Crores, how much in terms of execution can be expected in this half?
- K Jalandhar Reddy:** We are likely to get the go ahead signal by this month end. And once they give a go ahead, we can work sufficiently on that project in Q4, if everything goes according to my estimate.
- Shravan Shah:** Venkat Sir what is mobilization advance and retention money, as on September?
- K Venkat Ram Rao:** Mobilization advance is Rs. 68 Crores.
- Shravan Shah:** Retention money?
- K Venkat Ram Rao:** Retention money is Rs. 110 Crores.
- Shravan Shah:** Lastly just one more clarification. We have said that in terms of the Telangana irrigation, we expect to receive Rs. 67 Crores and Rs. 160 Crores by November. So broadly by November we are expecting close to Rs. 300 Crores and the entire receivables by March. and we would not be having a further debtors by March. So this is what already we are supposed to receive. So further execution that what we will be doing, for that also we should mostly be getting the money by March. So, we should not be having a sizable number due at the end of March?
- S Vaikuntanathan:** Now we have started receiving. As we have told you we have just received Rs. 66 Crores and balance in Palamuru of Rs. 200 Crores we will be getting by this month end. And then for Mallanna Sagar also Rs. 99 Crores is being credited today and the balance Rs. 200 Crores will come in the next four to five days in the joint venture account and from that it will take another one week to 10 days to come to our account.
- Shravan Shah:** No that is fine.



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- S Vaikuntanathan:** The process is on. By the last quarter Q4, January to February most of the payments will be cleared.
- Shravan Shah:** But further we will also execute?
- S Vaikuntanathan:** Once the payments are being released, now it will be streamlined and they have also got the funding facility from NABARD and others. So there should not be any problem.
- Shravan Shah:** Okay that is it from my side. All the beset and Happy Diwali.
- Moderator:** Thank you. The next question is from the line of Parikshit D Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Thank you Sir for the opportunity. Sir my question just now we have just now said that for Palamuru Rs. 200 Crores is expected in the next 10 days and for Mallanna Sagar another Rs. 200 Crores plus Rs. 99 Crores - so Rs. 99 Crores is expected today and Rs. 200 Crores in the next 10 days. So total is Rs. 500 Crores plus Rs. 67 Crores which we have already received today, right?
- S Vaikuntanathan:** Yes.
- Parikshit Kandpal:** So out of Rs. 745 Crores, Rs.567 Crores will be received by November?
- K Venkat Ram Rao:** We will receive major portion, that is the guidelines we got from the department and we have told that. Our expectation is that most of the payments are going to be received by the end of this month.
- Parikshit Kandpal:** So that equals to around Rs. 567 Crores. So Rs. 200 Crores from Palamuru, Rs. 200 Crores from Mallanna Sagar and Rs. 99 Crores Rs. 67 Crores has been received today. So total is Rs. 567 Crores?
- K Venkat Ram Rao:** We will receive major payments, if you have put this as percentage of total. But because there is a delay, so let money come, then we will inform you. That is better actually.
- Parikshit Kandpal:** Okay Sir. The second question was on the Kaleshwaram Project, the two projects where we expect to start work so what is the land status in these two projects?
- V. Narasimha Ramana:** The land is still in requisition and we will start activity by December.
- Parikshit Kandpal:** When we take the site, so what percentage of land will be in our possession?
- V. Narasimha Ramana:** Some land is already available with the government, so activity on that part of land will start by December and we are expecting to possess all the land by March. So, that will not be a problem.



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Parikshit Kandpal: Okay Sir now on these HAM projects, which are substantially completed and will get over by Q4 of this financial year. So I think Reddy Sir earlier said that there could be some bonus of two to three months. But under the Atmanirbhar guidelines we already have six months extensions, so would not we are eligible for higher proposition of bonus?

V. Narasimha Ramana: Obviously we will try for higher bonus.

Parikshit Kandpal: So will this six months extension be counted for eligibility of bonus?

V. Narasimha Ramana: Yes whatever COVID extension is there that also will be considered because they have never said that it will not be considered. So based on the amended schedule, if you are able to perform before that amended schedule, you are eligible for the bonus.

Parikshit Kandpal: You said that Rs. 740 Crores is outstanding amount for irrigation including unbilled and debtors. So what will be the number for the road segment?

K Venkat Ram Rao: For the road segment, the total outstanding is Rs. 347 crores – out of which Rs. 177 Crores is towards HAM and Rs. 127 Crores is towards the irrigation and balance is towards the other EPC work.

Parikshit Kandpal: What about the unbilled revenue or other financial assets, which are unbilled?

K Venkat Ram Rao: That is around Rs.500 Crores as on September 30, 2020. In March it was Rs. 250 Crores and now it has increased to Rs.500 Crores. It will be again substantially reduced by the end of this quarter, after we received the payment.

Parikshit Kandpal: Largely it is irrigation only?

K Venkat Ram Rao: Largely it is irrigation. It includes KP Sagar, Mallanna Sagar, Vattem and some portion of Hubli also.

Parikshit Kandpal: There is an Rs. 85 Crores exceptional item you are showing in the consolidated cash flow statement. So what is that?

K Venkat Ram Rao: At consolidated level, as we have sold SPV Walayar, so it is not our subsidiary company now. So the assets is lying in the subsidiary company are not pertaining to us. We have sold this SPV with Rs. 96 Crores profit. With Rs. 96 Crores profit minus Rs.11 Crores of exceptional item, that comes to Rs.85 Crores which has been recognized as a profit on the consolidated basis - that is the sale consideration minus net worth of that SPV.

Parikshit Kandpal: Just one last question Sir on this withhold. So after taking a write off of withhold in the second quarter, now you have stated receiving. So I think you have mentioned you have started receiving



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in October from Rs.77 Crores odd which was spending. Does it indicate that traffic has now already crossed the threshold?

K Venkat Ram Rao: We are expecting more tranches of payment by this month end also. So once this traffic goes up, we will receive all the withholds based on the milestones mentioned.

Parikshit Kandpal: So this Rs. 77 Crores has started coming in and Rs .6 Crores you have already realized in October. So every month, we will receiveRs.6. Crores?.

K Venkat Ram Rao: No, because some milestones are pertaining to the toll collections, some milestones are pertaining to the completion of income tax assessment - so based on different milestones the money will come.

Parikshit Kandpal: By next one year you will get the entire money?

K Venkat Ram Rao: By March 2023 we will get the entire money.

Parikshit Kandpal: Okay Sir. I wish you all a very Happy Diwali and all the best Sir.

Moderator: Thank you. The next question is from the line of Meet Parikh from B&K Securities. Please go ahead.

Meet Parikh: Thank you for the opportunity Sir. I just wanted to know one thing. In terms of increased equity in first half of this year. How much was it?

K Venkat Ram Rao: We infused around Rs. 27 Crores of equity in H1

Meet Parikh: In Q3, you said it was Rs. 50 Crores?

K Venkat Ram Rao: In the next half year, we will infuse around Rs. 240 Crores.

Meet Parikh: Okay that is it. Thank you Sir.

Moderator: Thank you. The next question is from the line of Deval Shah from JM Financial. Please go ahead.

Deval Shah: Good afternoon Sir. Sir in Q2 of current year and Q2 of last year I think there is some arbitration claim. Sir, can you just help us with the number of what was your execution excluding this arbitration claim?

K Venkat Ram Rao: Actually last year we received Rs. 56 Crores of the claim amount in one of our projects. Out of Rs. 56 Crores around Rs. 21 Crores is towards the interest that has been included in the other income and balance some portion is around Rs. 12 Crores that we have adjusted with the receivables and Rs. 5 Crores we have booked as expenses.



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- Deval Shah:** Okay and in current quarter we have not received any arbitration claim?
- K Venkat Ram Rao:** It was there. We have received Rs. 12 Crores of arbitration claim in one of the JVs. It has included in our standalone financials. In revenue that amount comes to Rs.12 Crores and in our EBITDA it comes around Rs. 7 Crores.
- Deval Shah:** Okay that is it Sir. Thank you.
- Moderator:** Thank you. We will be able to take one last question. We take the last question from the line of Faisal Zubair Hawa from HG Hawa & Company. Please go ahead.
- Faisal Zubair Hawa:** So just looking at the more longer term horizon of around five to six years, we have been so far concentrating on water, irrigation and the road segment. So the total pie may not be enough. So do you think that the company will still manage to grow at a CAGR of 15% to 16% for the next five to six years because we have not really started more verticals. And just one more thing, even during this whole COVID the performance of the company has been good. I would like to thank Mr. Reddy for inculcating very high values and execution capabilities in the company. Mr. Jalandhar Reddy has really taken it forward very nicely. That is something unique and my thanks and absolute best wishes to the Chairman.
- K Venkat Ram Rao:** Thank you Sir.
- Moderator:** Thank you very much. We will take that as the last question. I would like to hand the conference back to management team for closing comments.
- S Vaikuntanathan:** Thank you everyone for your participation in our earnings call. I would like to take this opportunity to wish you and your loved ones a very happy and safe Diwali and prosperous New Year. In case of further queries, you may get in touch with Strategic Growth Advisors, our investor relations advisor or feel free to get in touch with us. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of KNR Constructions Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.