



## “KNR Constructions Limited Q1 FY24 Earnings Conference Call”

**August 16, 2023**

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**Moderator:** Ladies and gentlemen, good day and welcome to KNR Constructions Limited Q1 FY24 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. K Venkatram Rao – GM, Finance from KNR Constructions. Thank you and over to you, sir.

**K. Venkatram Rao:** Thank you. Good Morning everyone. Thank you for joining us today on the call to discuss the Financial Results for Q1 FY24.

Along with me, I have Mr. K. Jalandhar Reddy – Executive Director, Mr. S. Vaikuntanathan - Vice President (Finance) and Strategic Growth Advisors, our Investor Relations Advisors. We have uploaded Results and the Investor Presentation on the Stock Exchanges as well as in our company website. I hope everyone got an opportunity to go through it.

We would like to touch upon a few key company updates and the industry events post which we will have our question and answers session. We have signed a Concession Agreement for our 3 HAM projects with NHAI for a total bid cost of Rs. 2,005 crores for Mysore to Kushalnagara HAM project Package 4 on 28th June 2023, for Somvarappadu of Bengaluru - Vijayawada Economic Corridor HAM project on 27th April 2023 and Mysore to Kushalnagara HAM project Package 5 on 22nd May 2023. CRISIL has upgraded its outlook on the long-term bank facility of KNR Constructions Limited from AA-/+ to AA/Stable. Further, the short term rating is reaffirmed at CRISIL A1+ for our strong financial stability and business operation process.

I would now like to share our perspective and the significant industry development. Based on the industry reports, it has been observed that there was a decrease in the road construction and awarding activities during the first quarter. In the first quarter of the fiscal year 2024, only around 600 kilometer was awarded for road construction with a cumulative construction length of approximately 2,000 kilometer. The projects annual awarding for the year is estimated to be approximately in the range of 8,500 kilometer to 9,000 kilometer. With a General Election around the corner, the government continues its thrust on overall infrastructure development. The same is also reflected in the MoRTH's commitment to utilize substantial portion of its FY24



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budgeted capital expenditure by December 23. This also augurs well for this sector, as this will result in good project awarding activities towards H2 of current financial year.

In the first assets monetization deal of the year, NHAI will sell 2 Highway Bundles - Bundle 11 and Bundle 12 for over Rs. 6,000 crores. The Toll-Operate-Transfer mode is used to monetize these Bundles. The NHAI expect TOT assets monetization to raise Rs. 10,000 crores to Rs. 15,000 crores this financial year. NHAI hope to monetize Rs. 45,000 crores in FY2023-2024 including other models such as infrastructure investment plus NHAI Special Purpose Vehicle over assets securitization model. The 600-kilometer-long Varanasi-Kolkata Expressway connecting district in Bihar and Jharkhand before entering West Bengal is named NH319B by NHAI. The cost of the project is estimated to be in the range of Rs. 34,000 crores to Rs. 35,000 crores. The acquisition of land is likely to be expedited after the naming. The completion of the expressway will reduce the travel time between Kolkata and Varanasi by less than half.

The NHAI recorded a Toll collection of more than Rs. 4,300 crores, Rs. 4,500 crores and Rs. 4,300 crores in the month of April, May and June respectively. From vehicles equipped with FASTag the amount exceeded by average monthly FASTag fees collection for the fiscal year 2020-2023, which amounted to Rs. 3,841 crores in each month of the year 2023 up to until the month of June. The monthly revenue has consistently exceeded Rs. 4,000 crores.

Now coming to key updates of the company, the percentage of physical progress as of June 30, 2023 for the HAM project is as follows: Magadi to Somwarpet - 75%, Oddanchatram to Madathukulam - 93%, Valanchery to Kappirikkad - 42%, Ramanattukara to Valanchery - 40%, Chittor to Thatchur - 11%. During the quarter the execution has primarily been driven by HAM projects.

As of June 30, 2023, the company has already invested Rs. 404 crores out of Rs. 732.86 crores to revive equity requirement for all the five HAM projects. The additional equity requirement of Rs. 330 crores to be infused as rupees Rs. 146 crores and Rs. 161 crores and balance Rs. 22 crores in FY24, FY25 and FY26 respectively. You can refer to slide number 24 as the investor presentation for the detail on each HAM project.

The Toll collection for the Bihar project that is Muzaffarpur to Barauni in Q1 FY24 is Rs. 11.63 crores. Now coming to the order book position as of June 30, 2023, the company has an outstanding order book position of Rs. 6,265 crores, which comprises of EPC road projects and HAM projects, which is 75% of the total order book. While the irrigation project comprises of remaining 25%. When broken down by the client, 53% of the order book is from third party client and balance 47% is from the captive HAM projects. The third party order books are non-captive order book accounts for 53% of the total order book position. This percentage is skewed between the state government contract at 38% and 11% for central government and balance 4% are the bookings from the other private players. The current order book position remains healthy and provides a clear visibility of the execution over the period of next 2 years.



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Under the Bharatmala project our robust project pipeline and completed DPR Detailed Project Report, should expedite the project regarding activity in the future. The company is targeting an order inflow of Rs. 4,000 crores to Rs. 5,000 crores for FY24. Even though there is a cut-throat competition for the NHAI tender, our company is actively exploring our merit of the opportunities within the infrastructure sector, including Urban Development such as Flyover, Metros with the primary objective of diversifying our order book.

Our company is diligently engaged in the pursuit of lucrative and appropriate bidding opportunities in the Western and Central region of the Madhya Pradesh, including selected areas, Maharashtra, Madhya Pradesh and others.

I will now present the results for the quarter ended June 30, 2023. I will take you through first by the Q1 FY24 standalone financial performance. The revenue for the quarter grew by 4% year-on-year to Rs. 930 crores. EBITDA for Q1 FY24 grew by 5% year-on-year to Rs. 173 crores as compared to Rs. 165 crores in Q1 FY23. EBITDA margin in Q1 FY24 stood at 18.6%. The net profit for the quarter was Rs. 110 crores as compared to Rs. 101 crores in Q1 FY23, a growth of 9%.

Now coming to the consolidated financial performance, The company recorded flat year-on-year growth in the total revenue of Rs. 980 crores in Q1 FY23 to Rs. 981 crores in Q1 FY24. EBITDA came in at Rs. 216 crores in Q1 FY24 to Rs. 211 crores in Q1 FY23. EBITDA margin in the current quarter stood at 22%. Profit after tax stood at Rs. 133 crores in Q1 FY24 vis-à-vis Rs. 91 crores in Q1 FY23.

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

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:** Sir, the first question is on the order inflow, so we have already said that we are looking at Rs. 4,000 crores to Rs. 5,000 crores for this year, so 2, 3 things to understand from this aspect, so first is how much orders that we have already bid and the outcome is yet to be known? Second is Rs. 4,000 crores to Rs. 5,000 crores is it entirely from the road sector because we mentioned that we are, looking at segment like Urban and the Metro, so what kind of opportunities or the inflow are we looking at for this year? Second in terms of the competition related to this, because most of the road companies haven't seen the order inflow till now, so do you think that there will be a competition and we will be able to get the orders at the required margin that we are looking at?

**Jalandhar Reddy:** Good morning, everybody, sir actually, the order inflow concerned first, I would like to place the issues before you that NHAI order bidding process has not been started. There have been few bids which have been done in this month first week, but later we found all of them have



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gone postponed, I think last week of this month they have been postponed after few tenders and few tenders are postponed to the next month. So, kind of that we are heading in NHAI, so we are even trying some bids in the irrigation projects. There had been some pipeline which is coming up. I don't say that we have placed bids. They are coming up in a way that Telangana Irrigation projects also there. MP also there are irrigation bids and Rajasthan also there are irrigation bids whose Pipeline considerably from Telangana around Rs. 3,500 crores bidding is likely to happen in coming this month or next month and MP also, I think MP we will have in the last week of this month, around Rs. 2,900 crores, Rajasthan also around Rs. 2,000 crores bids are there. So, I think there are lesser size bids also, but we are focusing these sizes. As a token, we want a bigger one, so that we are trying and I think as of now, you asked the question that as of now, how many bids which you have already placed in the pipeline kind of thing. At present, I think the few bids placed in Tamil Nadu region that NHAI, they have not yet opened. So, except very few bids of Greenco(14.05), we don't have anything on pipeline for this matter. And some pipeline projects also we are looking at and some North East also, we are looking at. In Rajasthan like some pipelines are also there. From that, we have Northeastern part of India, we have some tunnel projects around Rs. 1,500 crores size projects, which we are trying to focus and the Joint ventures we are even starting with our old partner, Patel Engineering, we are discussing in continuation and SEW also we are in continuation with discussions and even we are trying some discussions with NCC (Nagarjuna Construction). So, this time we have solid try that we are making to enter in all these and try to get a good shape and at least I can say that I will do all my efforts, whatever it happens, it is going to happen. We will be able to make whatever required orders.

**Shravan Shah:** Sir just to understand that further a bit more, you mentioned you have placed a few bids if you can specify how many projects? And what is the value and in which segment we have already placed where the outcome is yet to come?

**Jalandhar Reddy:** Actually, Sir Madurai-Rameswaram road, there are 3 bids I think they are of size 800, 700, all that things only.

**Shravan Shah:** From the road side particularly, so you already mentioned in terms of the irrigation 3 States and the value, but from the road side, broadly how much are we looking at in terms of the planning to bid now? And in terms of the competition, so do you think that whatever the road projects that we are trying will it be mostly in the HAM or in the EPC because given the less order already there from the NHAI side, so there will be a more competition in the EPC space?

**Jalandhar Reddy:** Yes, actually there some Maharashtra bids are there which are of EPC nature, but I think if you look at the EPC market concern, there is no healthy kind of margins that are available in any of the Indian State Government concerned or in the concerned with the NHAI also. So, here most have come out with some tenders, they are mostly of nature EPC only, but NHAI is coming up with HAM. As of now, little bit bright scope is there in HAM only sir, so hopefully whatever the pipeline even I told about some Tamil Nadu projects, they are also in the HAM nature only.



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So, we can hope to get some projects from HAM only as of now. MSRDC, that is what I said Maharashtra projects I said in the state government, some MSRDC projects are also there. They are of EPC nature. We are trying our best in that.

**Shravan Shah:**

Now coming to on the revenue part, so last time we said that we are looking at close to Rs. 900 crores to Rs. 1,000 crores, kind of the revenue from irrigation, but this quarter broadly, there is very less or nothing kind of a revenue in this quarter. So, whatever the outstanding Rs. 1,500 crores - Rs. 1,600 crores irrigation order book is there, so how one can look at in terms of the revenue for this year and next year?

**Jalandhar Reddy:**

So, revenue concern, the order book is about say Rs. 8,000 crores, this 8,000 crores needs to be completed in 2 years' time, so more or less we are sticking with the figures of Rs. 4,000 crores plus which we would like to do this year. Only that this rainy season has gone very bad during that August as well as July and even in June, so that we are a little bit of shaky, but otherwise overall we will be good in the year and we will try to catch up whatever we are losing in the rainy season, in upcoming 3<sup>rd</sup> and 4<sup>th</sup> quarters.

**Shravan Shah:**

Yes, my major question was on the irrigation front, so this quarter ended, but revenue booking was nothing, so whatever is the outstanding?

**Jalandhar Reddy:**

The payments are problematic in irrigation. It is again, we can even think of some election, so there should be some another trend which is likely to happen in irrigation. So, we are hoping this month or next month by 15th onwards, whatever the remit we get, depending on that, we like to gear up the things, that is what we are thinking for now and I think revenue booking in irrigation has not happened in this quarter that Venkata will briefly explain you.

**K. Venkatram Rao:**

Actually, in this quarter we did irrigation around 23% that is close to Rs. 200 crores. In HAM we did around 45% and our Road EPCs, we did around 27%. So, this Rs. 200 crores, Rs. 210 crores we did in Q1 for irrigation and definitely whatever the balance for Rs. 800 crores to Rs. 900 crores revenue definitely will come through the irrigation, but that will definitely subject to what will be the payment from the irrigation. So, there is outstanding of almost as of now around Rs. 690 crores including billed and unbilled also. So, we expect that definitely there will be some clarity on the payment, then definitely we will achieve the revenue what we have projected.

**Moderator:**

Thank you. Next question is from the line of Sandeep Agarwal from Naredi Investments. Please go ahead.

**Sandeep Agarwal:**

Sir my question is, sir Magadi, Somwarpet and Oddanchatram project physically progress is only 2% to 3% this quarter, so any specific reason?

**Jalandhar Reddy:**

Magadi, Somwarpet, the land is not available for another 39 kilometers. For rest all is concerned, we have already applied for PCOD and the authority engineer has approved that, but there is



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some ADB clearance is required. So, it was sent to ADB for clearance. Once it comes down, I think they are going to announce PCOD, Provisional Completion Certificate for that, but around 39 kilometers still pending, out of which bits and pieces they were providing around 2 kilometers, 3 kilometers, so that is where the progress is both Magadi and Somwarpet. Another good thing is around 7.5 kilometers they just hand it over on 10th of this month, 5 days back. So, now we are gearing up in that area there is a full bypass is there and they are taking some decision in 12 kilometers which is in the complete forest. They want to go into the existing roads instead of going for a Greenfield development there, so that is going to little bit if they take that decision, another 12 kilometers will come into the hand. So, that is the reason there is no progress and Palani concerned that means Oddanchatram – Madathukulam concern we got PCOD and there is bits and pieces are left over. So, I think 7 kilometers, 7.5 kilometers they have provided in the past 4 months and we have almost completed and they are now requesting us to do around the half a kilometer length 0.26 kilometers and another, there is an approach to the under pass that is in the state highway. So, those areas if they hand over, we have to do it. I think it is only Rs. 20 crores, Rs. 25 crores worth of work is pending, that is it. Which we will be doing in the subsequent 2 months, 3 months. Most of it I think Oddanchatram – Madathukulam, we got some bonus also around Rs. 2 crores bonus we have received.

**K. Venkatram Rao:**

That is also accounted in the June quarter itself that Rs. 2 crores bonus.

**Sandeep Agarwal:**

Sir my next question is regarding our three new projects, so what you have the cumulative equity investment required in these projects and the time period for these investments?

**K. Venkatram Rao:**

Actually, we have existing 5 projects for Somwarpet, Palani, this Kerala 2 project and Chittor – Thatchur. Equity requirement for this initially invested Rs.732 crores. Out of that, Rs. 404 crores were already infused, balance around Rs. 330 crores we expect that this balance for FY23-24 we will infuse around Rs. 145 crores and for FY24-25 which will be around Rs. 160 crores and balance in FY25-26.

**Sandeep Agarwal:**

Sir my question is regarding 3 new projects which will be?

**K. Venkatram Rao:**

Equity requirements will be around Rs. 225 crores, so this year, actually FY23-24, we may not require invest in this year, but based on the availability of the appointed date actually most probably you can see 50% in the next year only and balance 25%-25% in the balance 2 years.

**Sandeep Agarwal:**

Last one is CAPEX plan for the current year and next year?

**K. Venkatram Rao:**

Current year, first quarter we did a CAPEX of around Rs. 33 crores and we expect that this year CAPEX will be in the range of around Rs. 100 crores to Rs. 120 crores because it is definitely subject to ability of the receiving the good orders in the irrigation and other sector. But definitely, we expect that because these 3 projects also we may expect appointed date maybe somewhere in the end of this year. So, there may not be much requirement for the CAPEX this year, Rs. 100



crores to Rs. 120 crores and next year is definitely based on incoming of the order inflow. We have to plan next year.

**Moderator:** Thank you. Next question is from the line of Sandeep Dixit from Nest Egg Investments. Please go ahead.

**Sandeep Dixit:** So, first question is the topline of the revenue and EBITDA on June '21, that is June quarter of last year, those included the 3 projects for 2Q, am I right?

**K. Venkatram Rao:** Yes, correct it is there.

**Sandeep Dixit:** So, that means that this Y-o-Y comparison of Rs. 980 crores is not really comparable because this quarter you would not have those three, am I right?

**K. Venkatram Rao:** Yes, sir. Definitely, sir. These 3 projects are not there in this Q1 FY24.

**Sandeep Dixit:** So, then can you please give us a comparable growth-rate for EBITDA and revenues comparable those of last year? Instead of Rs. 980 crores, what could it have been?

**K. Venkatram Rao:** But generally, sir, what is happening, suppose 3 project is not there, other projects will be added in this year like this if this year we have started Chittoor – Thatchur, that is there in this year, but then definitely when we present the financial, we present the financial not in project wise as a company overall wise. So, last year 3 projects were not there but this quarter this our Kerala project was there and Chittoor – Thatchur was there. So, definitely, we can compare as the company as a whole.

**Sandeep Dixit:** So, the second question was related to your guidance last call you had said Rs. 4,000 crores topline for this year? And what could be the guidance for the margins?

**K. Venkatram Rao:** Margin is definitely because right now we have achieved around 18.5.

**Jalandhar Reddy:** Election is coming down, sir, so little bit of shakiness will be there in this, that we are expecting, but I think it could be at the tune of 2% to 2.5% provided the input material variations are not there.

**Sandeep Dixit:** I am sorry, I did not understand the answer. Are you saying it would be 2% to 2.5% lower or higher than last year?

**Jalandhar Reddy:** We are expecting 2% to 2.5% lower because this state is heading towards elections, so we hope irrigation payments will not be that even they are now irregular, but still they will be stopped during the election period that is what we are thinking. Apart from that, the most problematic thing is that they could not solve the problem with the Pump House project which is the NABARD loans and all, so regarding that we are a little bit worried as of now. So, the situation





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is a little bit not favorable. And due to elections and all, then nobody is going to focus on these issues, I believe. But I think in a couple of months whatever you get you will get, we are trying to recoup as much as possible and keep ourselves in a safe zone which we are trying. So, that is why I say it could be 2%-3% we are expecting there should be a some downtrend towards it, but concerned most probably provided this variation will not go further down depending on the steel, cement, as well fuel prices and all.

**Moderator:** Thank you. Next question is from the line of Vasudev from Nuvama Wealth Management. Please go ahead.

**Vasudev:** So, my first question is, how much is our pending receivables from the Telangana government?

**K. Venkatram Rao:** Sir this pending receivables as of today is around billed and unbilled is around Rs. 690 crores.

**Vasudev:** And can you please help me with the debt and the cash levels at the standalone level?

**K. Venkatram Rao:** Standalone debt is zero actually, as of 30th June and cash is around Rs. 85 crores is there as of 30th June.

**Vasudev:** And sir, if you can just speak a little bit more on our diversification plan, so you already said that we are looking into more segments, so what is the exact progress over there and something more on that?

**Jalandhar Reddy:** I have answered in brief to the first question I have answered about our entry into the various states in irrigation as well, some tunneling projects also we are focusing at North Eastern part of India, some pipeline projects in Rajasthan, we are looking at, irrigation projects in MP, Telangana and Rajasthan also we are trying and MSRDC roads, MSRDC is a new area for us, we are now trying an entry into it. And apart from that, we will examine the metros and all, but as of now, there is no solid thing that has come before us. So, we will even open for that and urban infrastructure projects also we will look at a little bit closely on that. Earlier, we were only limited to Tamil Nadu as well and all, but now upcoming whatever, wherever the city developments are happening, we will focus on that.

**Moderator:** Thank you. Next question is from the line of Faisal Hawa from HG Hawa & Company. Please go ahead.

**Faisal Hawa:** What is the ROCE the ROE for this quarter in our company? And secondly, sir, are we excluding any orders which have not been finalized from the final order book because if I remember correctly the order book was Rs. 9,200 crores in March and today you have said it is Rs. 6,200 crores? And third is sir, are the mines that we had bought in Kerala contributing now to reducing our purchase cost for the blue metal?

**Jalandhar Reddy:** In Kerala?



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- Faisal Hawa:** In Kerala, we had bought the mine for our raw material requirements, so are they now contributing to reducing our costs and increasing our EBITDA margin?
- Jalandhar Reddy:** Yes, actually what is happening, earlier we have started procurement with Rs. 19 per cft in Kerala, now it has gone to Rs. 32. To that tune, we are little bit under control, but actually the problem is with one quarry we have acquired and it is giving almost around 80%-85% efficiency, but the other one we are able to do only 60% efficiency because in night times they are not allowing working in those quarry that is in the Manjeri areas there. So, that quarry, they are not allowing in the night time, the locals. We are even pursuing the matter seriously with the district administration as well as state administration also and the NHAI has also pursued the matter with the state government. If anything happens, it is okay. Otherwise, we are trying to buy certain aggregates, I think to the tune of 30%-35%, we will have to buy it.
- Faisal Hawa:** But it would have given us at least 2%-3% points more on EBITDA for this project itself?
- Jalandhar Reddy:** Of course that is giving already. I think it is contributing quite a good sum on that.
- K Venkatram Rao:** Sir, in your question of return of capital employee and return of equity, it is around 18% as of June and as far as order book is concerned, we told actually Rs. 6,500 crores and that exclude this order book of three HAM projects because we have to yet to do the financial closure and achieve the appointed date, if you include this if you see, it is around Rs. 1,800 crores, it will be around Rs. 8,000 crores order book as of June.
- Faisal Hawa:** From the previous participant's question, actually I think his question was that the last year's revenue included our sales of the projects to Cube, so there was a onetime event, so if we remove that sale of the projects to Cube, what is our growth in sales in this first quarter?
- K. Venkatram Rao:** Actually, two things are there because we are doing EPC work for that project. As far as KNR is concerned, what are the profit we earn from Cube, we will show as the below item, extraordinary items. We will not include in the contract income. So, what we want to say that it is the three project what we have sold to Cube, the EPC work what we did in the Q1 that has been added in the last year Q1 and other project like Kerala and this Chittoor-Thatchur that project added in Q1 FY24.
- Faisal Hawa:** Sir, will our debt reduce further in the coming quarters
- K. Venkatram Rao:** As of now, it is zero only.
- Faisal Hawa:** No, on consolidated basis?
- K. Venkatram Rao:** On consol basis debt has contained basically of our Muzaffarpur-Barauni project and Palani project. We are already working with the different investors for monetization of these assets. Muzaffarpur as we already told in the previous presentation, we are working on that, but we are



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not getting any positive response from the investor, but as far as Palani and our new HAM project is coming, we are getting the positive response from the investor and definitely in the due course actually, we may enter the monetization of these assets. Once we monetize these assets, then our debt will definitely further reduce.

**Faisal Hawa:**

That debt could be monetized in this financial year itself?

**K. Venkatram Rao:**

Financial, we will try it, sir. Already we are having the discussion with the prospective investor, sir and we may do actually. In this financial layer, definitely we can expect it.

**Moderator:**

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

**Jiten Rushi:**

Sir, on the joint venture which you highlighted, we are having joint venture with Patel Engineering, NCC and one more entity, so can you just name the third entity and we are having joint venture?

**Jalandhar Reddy:**

I said SEW, we are trying joint ventures in various projects to be entered from irrigation front. Irrigation, we already having the experience in dam construction as well as pump house construction, it is not complete yet. Once it is 90% completed, then only the certificate is considered as a completion certificate for us. So, for that matter, as such all the dams, canals and all we have. Pipelines and certain specialized works in dams, we will be needing some joint ventures. So, which we are sorting that parallelly three agencies we are in discussion with which I told you, one is with Patel Engineering Limited and second one is NCC and third one is SEW.

**Jiten Rushi:**

And sir, this tunneling works in North East, we can do it independently or it would be in joint venture?

**Jalandhar Reddy:**

Tunneling project, we don't have expertise, sir, so we will be going with the partnership sir.

**Jiten Rushi:**

But work will be done 100% by us, probably that is the thought process?

**Jalandhar Reddy:**

Yes.

**Jiten Rushi:**

Also on the irrigation project, as you said, that is still pending and we are targeting revenue of almost to Rs. 900 crores, obviously we have booked revenue of 23% Rs. 200 crores plus this quarter, so are you confident of achieving this revenue or you will slow down your execution?

**Jalandhar Reddy:**

Actually, yes, this is a bit of dilemma which we are having, but we have spoken 2 weeks ago with the state government people. They are very keen and they want us to do the pump house, pump, supply of pump and addition of pump also they wanted to do.



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- Jalandhar Reddy:** Palamuru irrigation also, they got clearance from NGT now stating that they are very bullish also, but payment they are expressing that yes we will do it but we don't have any solid assurance as of that. We will look at our own risk factor and do it.
- Jiten Rushi:** Yes, sir what has happened is our cash has come down and probably we then we will be looking for working capital loan in couple of months that can be another option for us if at all?
- K. Venkatram Rao:** Jiten, as far as cash is concerned, definitely we have receivables of around Rs. 880 crores out of that HAM receivables around Rs. 650 crores are there, so that we have not drawn the debt from the banks we have to save our IDC actually. So, definitely when cash requirement is there, so far we are able to manage with our internal accruals and definitely when require the money we will go for disbursement from these and take the money. Cash conservation not an issue because receivables are there which can be liquidated in the one month times only. So, we are not really seeing definitely there is any possibility of the cash, the cash is there in the system.
- Jiten Rushi:** Sir, you said that you have to procure aggregates from outside of 30%-35% for the Kerala project, so you said that the cost of aggregates per cubic feet has gone up from Rs.19 to Rs.32, that is what you are trying to say?
- Jalandhar Reddy:** Yes, sir. Actually, earlier, why we bought the new quarries in that area is only to keep the aggregating control. The two quarries for two projects we bought and there the requirement of each project is about 20 lakhs metric ton. While buying also, we were very well known that we will have to procure a certain percentage from the market, so given a thought that at least you have a captive quarry, so your projects will be controlled in the market. So, initially to started with it worked very well, but later other projects are also started in the region of adjacent projects also picked up and everybody want to aggregate from the local people, so local people they started raising their demands and from Rs. 19 it has gone to Rs. 32 as of now and even that also, availability is a big question because whenever there is a rain they will announce the orange zone, red zone, then that time, we will have to keep the quarry shut down because of environmental rules and one query know, I said in the Manjeri area we are operating a quarry where we are only allowed in the day, night times we are not allowed to do the quarrying operations as well, crushing operations. Generally, we do it day and night then we are having a good production, it will meet our production requirement. So, with all these around 30%-35% we have to buy in the local market. So, we are even sourcing the permission from Tamil Nadu government also because we have completed the Oddanchatram-Madathukulam project where we have around supplies about 2,00,000 metric tons we have which we want to transport it to the railway. So, the permission is under progress. Once they give permission, we will be transferring those materials and which is falling very cheaper, I think Rs. 32 the market price is there, now within Rs. 30 we are able to reach the site by railways from Tamil Nadu. So, it is okay with the proposition, which we are trying also.



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- Jiten Rushi:** Sir, so last question, you have identified the list of projects which you are going to participate in future in multiple sectors so can you highlight the total size which you are going to bid for in next coming 6 months from roads, irrigation, pipeline, tunneling in various states for MSRDC, so what is the size we are going to participate for the value?
- Jalandhar Reddy:** Around Rs. 49,000 crores now under pipeline that means I can see the list of selected projects.
- Jiten Rushi:** This is for NHAI you are talking about or total?
- Jalandhar Reddy:** Total, all of them, all put together.
- Jiten Rushi:** And NHAI how much?
- Jalandhar Reddy:** Actually, the NHAI pipeline, if you look at it, the pipeline was around Rs. 70,000 crores – Rs. 80,000 crores was there, but with all the postponements and all our collected projects are only around Rs. 20,000 crore to Rs. 25,000 crore in this. I think we have only 13-14 projects listed focusing in this month or upcoming month. Maybe we will add some more in future and irrigations and all concerned, yes it is about say Rs. 45,000 crores we are now looking at.
- Moderator:** Thank you. Next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** I think in your comment somewhere, you said Telangana government needs to engage with NABARD for the payments for the pump house project and which is you are waiting for that clarity to come through and go-ahead pump house part, so could you please elaborate on this what exactly did you, I thought this project is funded and the money is supposed to come from NABARD and they already started disbursing money, so why is it that the incremental disbursements are taking time?
- Jalandhar Reddy:** Actually, sir, that there is some grant amount which need to be paid by the state government. That is one problem apart. Another problem is to sort that that debt ratio that is called FRMP limit it has gone beyond the expectations or the limitations given by the Telangana Government. So, those areas, the BJP government is very serious on these guys. So, the banks have little bit stopped that funding and they need to support that issue once that is sorted out, these payments are likely to happen. I said we had a meeting with the state government personnel, they said if the banks are not paying, in fact, they wanted us to go ahead with the pump supply and erection of the pump. We said we will have to almost Rs. 200 crores we have to place as the investment. We were a little bit scared which we told them, then they were the opinion that if not, it is paid through the banks we will directly pay from state government kitty that is what they were assuring, kind of that which we need to little bit take a call on this and go ahead.
- Prem Khurana:** So, we were planning to place the order with BHEL for this pump house and you are waiting for the government to kind of extend you confirmation that you are allowed to go and open your LCs, fair to assume that till the time you get to have clarity from the government of comfort



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from government that yes, you go ahead, open the LCs and we will pay you on time, till then you will go a little slow, at least on this procurement part, you will still continue with the civil part only or you could go and invest from your pocket and get the equipment required for the?

**V. Narasimha Ramana:** No, right now we are going ahead with the LCs opening and all that because if you see, there is also a lot of expenditure from overhead, so we are parallelly talking to the government and in fact LC and all that together we visited BHEL also for seeding of the supply of the pump and the space and everything. So, we will not stop, we maybe little slow that is it, otherwise will not stop.

**Prem Khurana:** And so the JV that you spoke about with the NCC, Patel and SEW that you intend to have for the projects, these would only be for PQs or the work will also be shared?

**V. Narasimha Ramana:** We will take the qualification and execution we will do only.

**Prem Khurana:** So, you will pay some sort of royalty and keep the entire?

**V. Narasimha Ramana:** Whatever you said that to the comfort of JV we will do that, otherwise full execution will be done by us.

**Prem Khurana:** And just one last bookkeeping, if you could share the consolidated debt and the consolidated cash balance, please?

**K. Venkatram Rao:** The consolidated debt is Rs. 575 crores.

**Prem Khurana:** And how much is the cash?

**K. Venkatram Rao:** Consolidated cash maybe around Rs. 100 crores.

**Prem Khurana:** 85 is standalone and console is 100, so Rs. 15 crores is the gap.

**K. Venkatram Rao:** Right.

**Prem Khurana:** But sir, I think when I look at our presentation, it seems I may have received good amount of grants in this quarter from NHAI towards the construction activity and we also infused some money in these projects right around Rs. 110 crores.

**K. Venkatram Rao:** Yes.

**Prem Khurana:** And the number that you gave in terms of 45% of the total topline has come from HAM, so which essentially would mean almost Rs. 400 crore is the number that you would have booked in terms of revenues, but then ideally the receivables from hybrid annuity SPVs should have come down right, because we have done Rs. 400 crores worth of work and the SPVs at Rs. 110



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crores from you and significant money come from grant, so why is it that the exposure to SPV has gone up or there is hardly any cash balance in the SPV?

**K. Venkatram Rao:** Under-HAM section NHAI will pay only a grant of 40%. So, but EPC player would get money from the bankers and they put their equity and then they make the payment to the EPC contractor, so NHAI, what are the money we are receiving from NHAI that is not sufficient to clear the entire EPC deal. So, balance, 60% for that already we are tied up for equity and debt. So, definitely that we have to draw the debt only, we can able to pay up to the EPC contractor, but as of June actually, we don't have the debt in the books, but as of now again because now cash position is coming down because we are not able to get the receivable from the irrigation. So, we will start taking disbursement from the bank actually and paying to the EPC contractor.

**Moderator:** Thank you. Next question is from the line of Deepesh Agarwal from UTI Asset Management. Please go ahead.

**Deepesh Agarwal:** My first question is, there seems to be a lot of opportunity coming up of pumped hydroelectric power projects given our experience in the water and irrigation domain would you be eligible to participate in those projects and would we be looking at those projects?

**V. Narasimha Ramana:** Hydroelectrical, we didn't yet look at it, we may, because our earlier joint venture partner is already into hydro and we may see some exploring the possibility.

**Deepesh Agarwal:** And secondly, if I give you a comment, lot of projects you are looking at are outside the Southern region, so what is driving it, is it over or urge to diversify or is it that in the Southern region there are not much project? And secondly, what will be the implication on our profitability out there once we are in a better margin than the certain project because of the mobilization?

**Jalandhar Reddy:** Better we say that rather looking at the margin fronts at all, it is to keep us at least to lubricated, we need order inflow. So, wherever we get we want to go now.

**Moderator:** Thank you. Next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.

**Vaibhav Shah:** So, did we receive any money from Telangana government in the year today?

**K. Venkatram Rao:** Transition from June this quarter we received actually from package 3 actually, total around Rs. 180 crores of the payment we received from the Telangana government during this year actually.

**Vaibhav Shah:** In Q2?

**K. Venkatram Rao:** From April to as of date.

**Vaibhav Shah:** So, the outstanding amount is Rs. 690 crores or Rs. 650 crores and that is as of June or currently?



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- K. Venkatram Rao:** That is as of currently, Rs. 650 crores what we told in the last quarter that is as of May actually, what Rs. 690 crores we are telling as of today.
- Vaibhav Shah:** And secondly, sir, on the bid pipeline side, you mentioned that for Rs. 49,000 crores is the bid pipeline, so of that highway is Rs. 25,000 crores and rest is irrigation?
- K. Venkatram Rao:** Irrigation pipelines and tunnels.
- Jalandhar Reddy:** So, pipeline is very big. We are only choosing for tender in Northeast part of India. As far as tunnel is concerned it is smaller kind of size. So, going forward, we will look at it, sir. First, we would like to understand how the bid goes and what sort of margin, it is kind of testing the water.
- Vaibhav Shah:** And sir lastly, what is our EBITDA margin guidance for FY24?
- Jalandhar Reddy:** FY24, I have really said that around 2.5% to 3% depends on irrigation cash inflows. It may increase or go down. It may be as we are giving earlier or it may be around by 2% to 3% based on the irrigation investment, provided that fuel, cement, steel, all input prices are in control.
- Moderator:** Thank you very much. I now hand the conference to the management for closing comments.
- K. Venkatram Rao:** Thank you all for joining us on this call. Please reach out to our Investor Relations consultant, Strategic Growth Advisors or us directly should you have any further query. We can now close the call. Thank you.
- Moderator:** Thank you very much. On behalf of KNR Constructions, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.