



“KNR Constructions Limited Q4 FY2017 Earnings
Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the KNR Constructions Limited Q4 FY2017 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 risk and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, you may signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. S. Vaikuntanathan – 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 quarter and full year ended March 31, 2017. Along with me, I have our Executive Director – Mr. K. Jalandhar Reddy; General Manager, (Finance & Accounts) – Mr. K. Venkatram Rao; and Strategic Growth Advisors, our Investor Relations Advisors.

Let me start with highlights of the budget for roads and highway sector and then I will give you an update on the company’s performance. The government’s push on the infrastructure sector continues as they plan to invest Rs. 3 trillion that is US \$44.73 billion for developing 35,000 kilometer roads across the country of which 21,000 kilometers will be economic corridors and 14,000 kilometers will be feeder routes, which is expected to improve the freight movement, ease traffic bottlenecks, and improve intercity connectivity in the country. The government plans to develop a total of 66,117 kilometers of roads under different programs such as national highways, development project that is NHDP, special accelerator road development program in Northeast and left-wing extremism. Further, the government has identified development of 2000 kilometers of coastal roads to improve the connectivity between ports and remote villages. In the union budget 2017-18, the government has allotted Rs. 64,000 crores, that is, US \$9.55 billion to NHAI for roads and highways and Rs. 27,000 crores, that is, US \$4.03 billion for Pradhan Mantri Gram Sadak Yojana. The Ministry of Road Transport and Highways plans to build five more greenfield expressways across the country, which are expected to reduce travel time and propel economic growth. On the execution side, the pace of construction has been growing steadily and has achieved 8142 kilometers during the last fiscal.

In the last fiscal, Ministry of Road Transport and Highways kept the target for construction of 15,000 kilometers, but only 8231 kilometers could be build averaging at an all time high pace of 22.5 kilometers per day which was, however, lower, than the target of 41 kilometers per day. For Financial Year 2018, Ministry of Road Transport and Highways has set the target at 41 kilometers per day or 15,000 kilometers of highways construction. It is estimated that National Highways Authority of India has been asked to execute 8000 kilometers of highways for current fiscal while the rest would be done by the ministry with the support from state Public Works Department and NHIDCL. On the award front also, the target has been kept at last year’s development of 25,000 kilometers, last fiscal a record of 16,271 kilometers of national highways were awarded. The ministry has also been addressing the issue of land acquisition by implementing expeditious

resolution of issues like forest clearances. Under PMGSY, a record of 47,350 kilometers were constructed during 2016 and 17. This is the highest construction of PMGSY roads in a single year in the last seven years. While 25,316 kilometers of PMGSY roads are constructed in 2013 and 14, road construction in 2014 and 15 was 36,337 kilometers and in 2015-16, it was 36,449 kilometers, 133 kilometers per day in 2016 and 17 constructed as against 73 kilometers per day in 2011 to 2014 under PMGSY. In Hybrid Annuity project model, Maharashtra's Public Works Department, PWD, is planning to award about 10,000 kilometers of projects on the Hybrid Annuity Model in the next three to four months. The state government in its budget this year has proposed to spend Rs. 3500 crores on HAM projects. In the current year, the government hopes to award 4000 kilometers via PPP, Public Private Partnership route. The majority of this around 3000 kilometers is proposed to be awarded as HAM projects.

Now, coming to the company. Update on BOT projects. We already received a final completion certificate for 100% project length of our toll based Walayar-Vadakkancherry project on October 31, 2015. The total debt of the project is Rs.211 crores as on March 31, 2017. During the year, the promoter, KNR Construction Limited, has infused 261.50 crores, which has been used by SPV to pay-off debt thereby reducing the interest burden on the project and total toll collection is around 12.50 lakhs per day which will take care of principal, interest and O&M payments. In respect of Bihar, i.e. Muzaffarpur-Baurani project, The project is on toll basis and we hold 51% equity stake in the project. We have invested Rs. 52 crores in this project and we have received 75% PCOD as on June 3, 2016, and total collection has been started from June 9, 2016. We are receiving toll of around 13 lakhs per day based on 75% COD. We expect to get the final COD by end of next month.

Order Book Details: Our order book as on March 31, 2017, is 3769 crores consisting of road - 85% and irrigation - 15%, and which is mainly from NHAI - 54%, state projects - 39% and international order of 6%. To improve our execution outlook further, we continue to bid for our project and we expect to win projects for Rs.2000 crores the next seven to nine months. Now, I request, our GM, F&A, Mr. K. Venkatram Rao to present the result for quarter and full year on March 31, 2017. Over to Mr. K. Venkatram Rao.

K. Venkatram Rao:

Thank you, Sir. Good afternoon, Ladies and Gentlemen. I believe you must have an opportunity to see our results in the presentation that have been circulated and uploaded in our website. Now, I would present the results for the quarter ended March 31, 2017. The total revenue on standalone basis is Rs.482 crores in Q4 FY17 as against Rs.295 crores during the same period in the last Financial Year, so there is a growth of around 63%. Our standalone EBITDA for Q4 FY17 has been at Rs.72 crores with a margin of around 15%. Standalone PAT for Q4 FY17 is Rs.52 crores with a margin of 10.9% as compared to Rs.57 crores in the Q4 FY16. Moving to the results for the full year ended March 31, 2017, the total revenue on the standalone basis is Rs.1541 crores in FY17 as against Rs.902 crores during the same period in the last financial year, a growth of 71%. Our standalone EBITDA for FY17 has been at Rs.229 crores with a margin of 14.9%. Standalone PAT for FY17 has been Rs.157 crores with a margin of 10.2% as compared to Rs.161 crores in FY16. Now, I share with you a few numbers from the balance sheet as of March 31, 2017. As on March 31, 2017, the net debt on standalone basis is Rs.144 crores including promoter loan of

Rs.121 crores. The net working capital days is 41 days, and on consolidated basis, the net debt is Rs.690 crores. With this, we now open the floor for question and answer.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, 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, we have seen a significant pickup in execution, so now how do you see, in terms of revising our guidance for FY18 and FY19?

K. Jalandhar Reddy: This year we have already touched around Rs.1500 crores though it was not expected more than Rs.1400 crores, we still performed good and going forward I think I expect it to touch Rs.1700 to Rs.1800 crores somewhere around that figure coming forward.

Shravan Shah: In FY19 Sir, next year?

K. Jalandhar Reddy: FY19 probably we will touch the magic figure of Rs.2000 crores, or plus or minus Rs.50 crores.

Shravan Shah: Shall I consider this still to be conservative?

K. Jalandhar Reddy: Actually, that is what we are planning in a way. This year we would like to add Rs.2000 crores worth of orders, so probably next year the target would be around say Rs.2000-2500 crores, which is driving the same figures what I am speaking.

Shravan Shah: Sir, just to clarify in terms of the order inflow, it is the same Rs.1758 crores which was there even last quarter, so there was no inflow in fourth quarter?

K. Jalandhar Reddy: Rs.480 crores is the fourth quarter revenue that we have done.

Shravan Shah: Sir, total inflow for full year FY17?

K. Jalandhar Reddy: Unfortunately, fourth quarter we did not have any order inflow, probably we can expect something in second quarter of FY18.

Shravan Shah: Just to understand, how many projects and how many worth of projects have we bided for, Is it because of the competition or the projects are not as per our comfort conditions or comfort margins, so just trying to understand in terms of the competition scenario?

K. Jalandhar Reddy: Competition scenario concerned, I can say there is absolutely no change. It is as good as it was earlier, but I can see some good market coming out from the hybrid front, so hopefully, I am confident to win at least one this year, the target that we have is around Rs.2000 crores to be added to our order book and perform very good on the ongoing projects. So these two will help us to achieve this year's target and whatever this Rs.2000 crores, which we are going to achieve that is going to be even if I take in the second quarter the order, the third-fourth quarter, there will not be much improvement from the new order front, so it is going to show some results in the coming

year only, if I am not wrong because any projects to come in it is taking six months minimum for it to generate revenues. Again, if the order is from hybrid annuities, another one-two months delay further could be there.

Shravan Shah: Out of this Rs.2000 crores, are we considering Rs.1000 crores from HAM?

K. Jalandhar Reddy: Of course.

Shravan Shah: Sir, just wanted some numbers, what is the outstanding order book for Arcot and Villupuram?

K. Jalandhar Reddy: Arcot, Villupuram hardly 30% left out, 70% is executed.

Shravan Shah: Sir, in terms of the tax rate for FY18 and FY19, are we maintaining the earlier guidance or?

K. Jalandhar Reddy: Yes, actually Sir, whatever the new orders which are going to come from April, they will attract full tax, so as far as this year concerned, we can guide the same figures, but however it could be plus or minus 5% taxation depending on which of the new orders are being executed, then the proposition may change, but otherwise there will not be much change from today's figure, the taxation part concerned more than 5% variation could be there.

Moderator: Thank you. Next question is from the line of Nitin Arora from Aviva Life. Please go ahead.

Nitin Arora: Sir, can you give us the per day toll collection of Walayar and Barauni for the Q4 and it will be helpful if you could share the toll revenue for both the projects for FY17 as well?

K. Venkatram Rao: The toll collection is around Rs.12.5 lakhs per day of Walayar as of now and for Muzaffarpur-Barauni, it is Rs.13 lakhs per day for 75% of the PCOD.

Nitin Arora: Even for the whole year, if you can give me for Walayar and Barauni it will be helpful?

K. Venkatram Rao: For Walayar, for this year FY17, it is Rs.42 crores, for Muzaffarpur it is Rs.19 crores.

Nitin Arora: Sir, with respect to one of your project which is Hubli-Hospet, what is the status there in terms of starting the execution?

K. Jalandhar Reddy: The work has commenced in the month of March 17, earth works and preliminary works are already been taken up and moreover in the month of June we will have the billing, the bill might get realized in July, so some revenues are there now.

Nitin Arora: That will be in full swing now going forward?

K. Jalandhar Reddy: Yes, Sir.

- Nitin Arora:** Sir, with respect to one opportunity you talked about in Maharashtra about HAM projects which they started putting down tenders in Jan, if I am not wrong this year the tenders kept on revising every month or so, can you attribute one or two reasons behind the delay and is there something like working capital issues with respect to deciding the tender part?
- K. Jalandhar Reddy:** Actually Sir, what happened, there is a PPP, Public Private Partnership committee, committee clearances have not come to NHAI. So actually, in the stream of course they have called the tender, but they are just deferring the dates because of the clearance, so they are expecting clearance in a month's time and they will have it. The main reason is only that PPP committee clearances, that they are expediting now.
- Nitin Arora:** Just two figures from your side, can you give me the gross debt number including the current maturities and the CAPEX for FY18 and 19?
- K. Venkatram Rao:** The gross debt is Rs.144 crores at a standalone level including the promoter's loan of Rs.121 crores and consolidated level, it is Rs.690 crores. For FY16-17, we have added almost Rs.150 crores of CAPEX and this year for FY17-18, it might be in the range of around Rs.100 crores.
- Moderator:** Thank you. Next question is from the line of Vibhor Singal from Phillip Capital. Please go ahead.
- Vibhor Singal:** Sir, just wanted to dwell on the tax rate a little bit more, so you mentioned that of course the projects that we will start executing after April 2017 with the full tax rate, but given the MAT credit that we would have on our books, what is the tax rate that you expect for FY18 and will some of that remain in FY19 or can we expect to go full tax rate in FY19?
- K. Jalandhar Reddy:** Actually whatever order book that is there around some Rs.3700 crores, which has the same tax facility that means 80IA benefit is there for these projects, so may be in this year, we may not get much impact but going forward all the new orders which we are targeting i.e. Rs.2000 crores of orders, those will attract full tax. The proposition will change, the new models will start executing from the next year March, April onwards. So next year April onwards the amount that comes from this old projects and amount that comes from the new project, it will be a combination, so definitely it will go to 22-23% taxation in the next year and going forward the next to next year, that is going to be full tax because all these orders which are going to be executed that will be completed by the next to next year.
- Vibhor Singal:** If I got it right, FY18 that is this year, we will probably have the same tax rate as last year around 4-5%. In FY19, you are saying it will be around 20 to 23% and FY20 will have around full tax rate of maybe 30%.
- K. Venkatram Rao:** Yes, it will be the same because right now effective tax rate is coming to 7% and we expect that in this year 17-18 it will be the same rate and FY18-19, it will be slightly more, might touch 15% because some of the new project will come, but definitely after that year, it will be full tax rate.

- Vibhor Singal:** Secondly Sir, if I can just ask you in the order book as you mentioned that we started execution on the Hubli-Hospet project and it is in full swing, apart from that any other project in which we are facing any kind of execution delays or anything or is the full order book in complete swing?
- K. Jalandhar Reddy:** Yes, Sir, as far as today is concerned full order is in full swing, almost all the orders. Pollachi was delayed for at least nine months or 10 months. The Pollachi-Coimbatore that has also started and we have achieved almost 20% progress on that, so going forward almost all the orders are at full swings.
- Vibhor Singal:** Sir, the Bangladesh order is also?
- K. Jalandhar Reddy:** Bangladesh order actually there have been some issues, they have got some extension of time and all, so the revised program has to be done, so I think it will take another two weeks time to get that because the program which they have done that we are not taking into consideration, the program which client is going to approve which we are going to take into account. Another two weeks after, we will be able to exactly answer this question.
- Vibhor Singal:** We have not started execution or anything on that project, right?
- K. Jalandhar Reddy:** No, that is there, we have started and about 20% progress is there.
- Vibhor Singal:** In between right now, there is not much happening?
- K. Jalandhar Reddy:** It is happening, but actually what happened initially there is a delay, that delay is accounted in the client's account stating that they could not provide the possession and all that, so that extension of time, they have granted for one year, so based on that another program is submitted, so that needs to be approved. Our target is to complete in whatever the new EOT has come, so we will complete it by adding that.
- Vibhor Singal:** Sir, can I have the, what is the outstanding amount of that order in the order book?
- K. Jalandhar Reddy:** Our share is about Rs.250 crores, out of that around Rs.200 crores are outstanding as of date.
- Moderator:** Thank you. Next question is from the line of Nitin Dharmawat, who is an Individual Investor. Please go ahead.
- Nitin Dharmawat:** Just one observation that I had because the last time, one of the last quarterly call that we had, you had mentioned or you had given some revenue guidance, the revenue guidance was around Rs. 1300 and Rs. 1500 crores for next year, next to next year, but now you have revised that, I am confident that you are a little more in terms of order execution and the targets which are increased, thank you so much for that. Regarding order book, I wanted to know any new orders that we are expecting in coming quarter or it is going to take couple of quarters before we see new orders coming in?

My question was about order book, the first was my comment about the revenue guidance that you have increased compared to last quarter revenue guidance that you have provided, my question was about order book, are you expecting the order book to increase during this quarter or it is going to take more time?

K. Jalandhar Reddy: Actually, we are expecting in the second quarter, some good news to come in. So, the whole expectations is on second to third quarter because I require those orders to fall in second to third quarter because most of the works which are now under progress, the preliminary machinery like earth works and all, they will get free during the third quarter of this year, so I need to remobilize them into new projects, which I am planning that way.

Nitin Dharmawat: One more question that I had, traditionally you have not been bidding in the state of UP, but now considering the change in the government over there and the new orders are expected especially from the more the road infrastructure side, are you planning to change your strategy or you are continuing to maintain the same one that you had earlier?

K. Jalandhar Reddy: We are now open and things are very much improving in UP and we are happy about it. We would like to go there for working.

Moderator: Thank you. The next question is from the line of Anish Hariprasad from Antique Stock Broking. Please go ahead.

Anish Hariprasad: Sir, couple of questions, can you give me the execution for three Tamil Nadu project and Mohanpur?

K. Jalandhar Reddy: Three Tamil Nadu projects, all the three on an average they are left with 40% work only, 60-65% everywhere it is clocking.

Anish Hariprasad: And Mohanpur, if we can have the number please?

K. Jalandhar Reddy: Actually, exact numbers are not with me right now, but I can mail it to you, please drop your email to me.

Anish Hariprasad: Sure, just one more question, can you give me the expected completion date for Trivandrum project?

K. Jalandhar Reddy: Actually Sir, we were expecting that by January we would complete the entire project, but there had been new change of scopes which are coming in, there is a proposal to do a flyover project in nearby airport area, which is about Rs.140 crores and another Rs.60 crores new variation is already issued so with all there has been a Rs.200 crores plus of change of scope. If that is awarded, further it is likely to increase in the time, otherwise, the original project is getting completed by January 2018.

- Anish Hariprasad:** Madurai project, if you can just give me the completion date for Madurai also?
- K. Jalandhar Reddy:** Madurai we are expecting by April, Sir.
- Moderator:** Thank you. The next question is from the line of Rita Thailramani from Edelweiss. Please go ahead.
- Rita Thailramani:** Sir, I just wanted to ask, have we received any claims in the current quarter?
- K. Jalandhar Reddy:** The current quarter means yes, running quarter I think we have received two claims, one is from the AP 11 projects which we have done 10 years ago for Rs 19 Crores and other one on Patel KNR project, which is in the Tamil Nadu, that is around Rs. 22 crores, our share is only 50%, our share is about Rs. 21 crores
- Rita Thailramani:** Sir, do we believe the operating margins of 15% will sustain over a period of time or it will be somewhere in the range of 13 to 14% if we do it earlier?
- K. Jalandhar Reddy:** Madam, why we always talk about lower figures, it is just to have the flexibility on us because we never know what is happening in the input material prices, like cement, steel, it depends on many factors, so exactly driving a figure that it gives you 15, it gives you 14 or it gives you 13, it is quite difficult, so that is where the range is little bit varying.
- Rita Thailramani:** Sir, how much is the equity infused in the BOT project till date?
- K. Venkatram Rao:** All put together in Walayar we have infused Rs.397 crores and Muzaffarpur we infused Rs.52 crores.
- Rita Thailramani:** How much is the loan given to the BOT project?
- K. Venkatram Rao:** These are the unsecured loan given by promoter to the BOT project.
- Moderator:** Thank you. The next question is from the line of Bharani from Spark Capital. Please go ahead.
- Bharani:** Sir, the first question is on the Muzaffarpur project, we have infused Rs.52 crores, so how much more is likely to be infused there?
- K. Jalandhar Reddy:** Actually, another Rs.25 crores is required, we have applied for final completion like in a month's time, we will be able to get that. It is in the NHAI for consideration, so I think further infusion will happen, because there are some land problems, some toll plaza buildings we could not construct, where the problems are there, those areas only the fund need to go and there is some work which is little bit pending on negative change of scope and all that, so towards that another Rs. 25 crores we need to infuse.
- Bharani:** That will be in this coming year of FY18?

- K. Jalandhar Reddy:** Yes, Sir.
- Bharani:** We have done Rs.19 crores of revenues in this project in FY17, so how much would be expected for FY18 or to put in another way, how much will be the per day collections after 100% PCOD?
- K. Jalandhar Reddy:** It will be Rs.17 lakhs per day.
- Bharani:** My second question is on the GST, so could you give us how it is likely to impact or affect us?
- K. Jalandhar Reddy:** GST, we have just gone through our initial study only, so based on which I am giving you approximations and assumptions only. No doubt the input material rates have gone up by 2% to 2.5% from the original levels and on whole contract base, earlier in states like Tamil Nadu and Karnataka we used to get around 2% to 3% on the project size cost. Now, it is varying up to 4.5% to 5%, so there is 1.5% difference which we are able to see, but however, we need some more clarity in this to judge and we are also thinking in other lines this is a change in law so whatever the impact that is creating on us that could be reimbursable through NHAI or on the client.
- Bharani:** There is a possibility that the current project cost could be higher?
- K. Jalandhar Reddy:** Actually, work contract tax as we call it, so there is VAT and all, which is a different thing, work contract tax means, all the input tax whatever we give, that will be minus from the work contract tax that earlier we used to go with the composite method, so the composite method says that 4% if you add, we do not have to show the accounts and all, but however if you detail and go in and submit your monthly assessments and all, so it is only costing us 2% to 2.5%, so we are not going in the composite method in many of the projects because of that what is happening depending on our balance sheet or the project wise calculation, we are finding it 1% to 1.5% it is going up as the GST is increasing.
- Moderator:** Thank you. Next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** I just have one clarification to seek, basically, last year in the full year number, we had around Rs.33 crores of one-off which is Rs.15 crores from JV sale, income tax refund of Rs.12 crore and interest on the same at around Rs.6 crores, is there any such item in this year also which is an income tax refund or interest on the same has come in?
- K. Venkatram Rao:** This year actually only when exceptional item was Rs.10.86 crores that we have provided in the P&L. Other than this, there is no exceptional item.
- Amber Singhania:** Last year, am I correct on the numbers or is there any change on the...?
- K. Venkatram Rao:** Last year actually we received the income tax refund of Rs.43 crores and that interest on that refund of around Rs.11 crores and JV profit of Rs.14.80 crores.

- Amber Singhania:** Basically, 43, 11, and 14.80 crores I need to remove from the profit after tax to get the adjusted PAT for FY16, is it right?
- K. Venkatram Rao:** Last year you have to remove around Rs.70 crores from the PAT. PAT right now is Rs.161 crores, so if we remove Rs.70 crores it will be Rs.90 crores in the last year, and for this year, you have to add Rs.10.86 crores to arrive at the real PAT.
- Amber Singhania:** Any further income tax refund or any such exceptional number is pending which can come in this year?
- K. Venkatram Rao:** Our ED told we expect some claims, so that claims income will come in this year, this quarter.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, this Rs.21 crores claim i.e. our share, let us say if we book in first or second quarter whenever it comes, it will be directly coming to EBT level or is there a cost also attached to it?
- K. Venkatram Rao:** Some cost is there at JV level, it has come to that JV. After that, our portion will come to us.
- Shravan Shah:** Our portion, Sir has told Rs.21 crores, Rs.21 crores directly?
- K. Venkatram Rao:** Rs.21 crores in the revenue but we have to see on PAT actually, because some of the expenditure will be there corresponding to that claims, so after booking that expenditure net amount will be there, on that 50% our share will come to us.
- Shravan Shah:** Okay, but expenses may be around 20-30% only?
- K. Venkatram Rao:** Not much, correct.
- Shravan Shah:** Sir, two clarifications, one is the depreciation is increasing it is just because of the rate change or is there something else also, and can we assume the same Rs.20 crores kind of a quarterly depreciation?
- K. Venkatram Rao:** With depreciation, it is the same because this year, we have added lot of machineries and now we are following the WDV method, the new machine we are buying, we are getting 35% depreciation in current year, that is why depreciation is little bit higher .
- Shravan Shah:** Sir, other income is significantly lower, so why is it and how do we see next, this quarter it was only 1 crore?
- K. Venkatram Rao:** Till last quarter , the interest income on the unsecured loan we have provided to the subsidiary company, but during our audit review, the opinion has formed that we can put in other equity and we need not provide for any interest, so the interest of Rs.11 crores, we have provided up to Q3

that we have reversed in this quarter, so that is why other income is less, but I expect in future other income will be in the range of between Rs.25 to Rs.30 crores per annum.

Shravan Shah: Sir, do you want to share any update in terms of the claims which we were planning to put for our BOT projects, so have we put in and do we also expect the same outcome to come by in next one year?

K. Jalandhar Reddy: The timeline it is difficult to say, Sir, because what we are speaking about the claim, they have come after nine years, so because of the SAROD method it is one year maximum time given in the arbitration tribunal, so I think this the process will be quicker, but it is quite difficult to say what happens in the courts, so the courts timing, we are unable to judge.

Shravan Shah: But in tribunal, if it is as per the new law then the decision has to come as per new rule of 12 months or is there also a loophole that it can also extend to two-three years?

K. Jalandhar Reddy: Actually, the SAROD method, the National Highway Builders Federation of India and NHAI, together they formed one group of engineers who can participate into the arbitrations and make them quicker so that they named as SAROD method, so due to the SAROD method, it is only the arbitration process that will be done in a year's time. If I am talking about the claim in Walayar-Vadakkancherry, Walayar-Vadakkancherry which I have completed the project almost one-and-a-half to two years ago and to form the tribunal itself it has taken two years. That is a very clumsy methodology involved in this, and after forming the tribunal, the main trouble comes with the NHAI people because we submit our claims statement and everything, so they will ask the NHAI also to submit if there are any counter claims or if there are any explanations to our claims or their arguments for our claims, they need to submit. They will take a lot of time in submitting that, so tribunals are forced to give them time because it is a government agency, nobody can do anything to government agency. If they do not submit the documents and they proceed with arbitration, the decision will go against NHAI, that will be tribunal person, one of the person will be from NHAI also, so he will be seeking time, so that is the problem where the arbitration tribunal is prolonging for years together.

Shravan Shah: Sir, in terms of the how much claims we have put on Kerala and other BOT projects?

K. Jalandhar Reddy: Not less than Rs.500 crores claims are there in total, Sir, we have to see when they get realized and get paid.

Moderator: Thank you. The next question is from the line of Nitin Arora from Aviva Life. Please go ahead.

Nitin Arora: Sir, just one clarification, the claims have got booked in Q4, is that correct, Rs.21 crores?

K. Venkatram Rao: No, current year, Q1 of FY18.

- Nitin Arora:** Contribution to the EBITDA would be at least 90% from that, I am saying the Rs.21 crores contribution that will go straight to EBITDA level will be at least 90% of that?
- K. Venkatram Rao:** May be around 75% to 80%.
- Nitin Arora:** Any other claim apart from that in FY18?
- K. Jalandhar Reddy:** No, Sir, right now there is nothing.
- Nitin Arora:** There is one more thing, Sir, if you look at your FY16 the other income was higher because of the interest on the tax refund which you got, you took it on that line item, before that our other income used to be about Rs.10-12 crores barring in FY14 where a one-off came in the Q4 FY14, why a Rs.25-30 crores other income will come in FY18 considering that we are utilizing our working capital very efficiently which does not perk up the cash on the books, so if you can explain that?
- K. Venkatram Rao:** Like this year we have received almost Rs.6 crores of VAT refund, so like that one-off item is coming, that is why we expect that it will be in the range of between Rs.25-30 crores.
- Nitin Arora:** The refund should be ideally around Rs.8 to 10 crores on a recurring basis, other income should be Rs.10-12 crores, is that the right way?
- K. Venkatram Rao:** Thereafter, we will receive some liability no longer required write back, some profit on sale of assets, so there are lot of items. Generally, that is why if you see in last two-three years, around Rs.30 crores of other income we are getting.
- Moderator:** Thank you. The next question is from the line of Sandeep Agarwal from Nerdy Investments. Please go ahead.
- Sandeep Agarwal:** Sir, my question is regarding share purchase agreement to sell the equity share in two BOT assets to Essel Group, so when the company will receive the amount of Rs.850 crores?
- K. Jalandhar Reddy:** Sir, there is some issue with NHAI, we are pursuing for NOC, so if the NOC is received in coming two-three months, two months at least, then we will be able to go with the transaction immediately. The NOC is expected from NHAI, so we are waiting for that to happen, rest all is done.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments.
- S. Vaikuntanathan:** Thank you everyone for participation in our earnings call. We have uploaded the presentation on our company's website. In case of further queries, you may get in touch with the Strategic Growth Advisors, our Investor Relation Advisor or feel free to get in touch with us. Thank you very much for participation.

Moderator: Thank you very much members of the management. Ladies and Gentlemen, on behalf of KNR Constructions, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.