



KNR Constructions Limited.

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To, The Manager BSE Limited, P J Towers, Dalal Street, Fort, Mumbai - 400001 Scrip code: 532942	To, The Manager, National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400051. Scrip Code: KNRCON
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Dear Sir/Madam,

Sub: Transcript of Earnings call for Q4 FY22 held on 31st May 2022

Ref: Reg 30 of SEBI (LODR) Regulations, 2015

Pursuant to the provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, we herewith submit to the Exchanges transcript of earnings call held on 31st May, 2022.

This is for the information and records of the Exchange, please.

Thanking you,

Yours sincerely,

For KNR Constructions Limited



Haritha Varanasi
Company Secretary

Encl as above

Regd.Office : 'KNR House',3rd & 4th Floor, Plot No.114,Phase-I,Kavuri Hills,
Hyderabad -500 033 Phone.:+91-40-40268759 ,40268761/ 62, Fax : 040- 40268760 ,

E-mail : info@knrcl.com, Web : www.knrcl.com

CIN: L74210TG1995PLC130199



“KNR Constructions Limited Q4 FY22 Earnings Conference Call”

May 31, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 31, 2022 will prevail.



**MANAGEMENT: MR. K. JALANDHAR REDDY – EXECUTIVE DIRECTOR,
KNR CONSTRUCTIONS LIMITED
MR. S. VAIKUNTANATHAN - VP FINANCE, KNR
CONSTRUCTIONS LIMITED
MR. K. VENKATA RAMA RAO - GENERAL MANAGER,
FINANCE & ACCOUNTS, KNR CONSTRUCTIONS
LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the KNR Constructions Limited Q4 FY22 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 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. Please go ahead, sir.

S. Vaikuntanathan: Good afternoon everyone. Thank you for joining us today on the call to discuss the financial results for Q4 and financial year 2022. Along with me, I have Mr. K. Jalandhar Reddy - Executive Director, KNRCL and Mr. K. Venkata Rama Rao - General Manager, Finance & Accounts and Strategic Growth Advisor, our Investor Relations Advisors.

I would like to touch upon some of the important industry updates followed by a discussion on the company's financial and operational performance:

The pace of awarding witnessed a robust uptick in the month of March 2022 after remaining subdued for almost 9 to 10 months. The awarding of road project for the month of March 2022 stood at approximately 5,113 kilometers almost two times on a year-on-year basis and 6 times compared to the previous months. For the entire fiscal 2022, the length of the road awarding stood at 12,731 kilometers, a robust growth of 22% year-on-year basis. A similar momentum was witnessed for NHAI awarding activity. The NHAI awarded or opened bids for projects of length 4,970 kilometers worth approximately Rs. 1.4 lakh crores in FY2022 as against the length of 4,818 kilometers worth approximately 1.3 lakh crores year-on-year. The pace of annual construction of 4 and 6 and 8 lane national highways has increased by more than 300% during the past 7 years from 1,289 kilometers in 2015-16 to 3,963 kilometers during 2021-22 as per the government. However, multiple challenges such as multitude waves of COVID-19, intermittent lockdowns across multiple pockets of the country and prolonged rain affected the execution. This was coupled with the allocation of funds by the government towards welfare activities to contain the impact of COVID-19 which delayed the payment receipts. Apart from this, supply chain issues, higher fuel and commodity cost and the shortage of labor impacted the overall sector. As a result, the pace of road construction stood at 10,457 kilometers, a fall of 21% year-on-year basis.

The average daily construction also fell by 21% year-on-year to 28.6 kilometers, similarly the pace of construction of the national highways fell by approximately 21% year-on-year in FY22 to 10,457 kilometers down 13,327 kilometer in FY21. Despite facing such challenges, there was a silver lining in terms of toll collections. FASTag toll collections witnessed a robust growth of



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67% year-on-year for FY22 and reached to Rs. 38,084 crores. FASTag toll collection for April 2022 stood at Rs. 4,219 crores compared to Rs. 4,095 crores for March 2022. For the first time, FASTag toll collections had crossed Rs. 4,000 crores mark in a single month in March 2022. April 2022 recorded the highest FASTag toll collections since the FASTag toll collection system was introduced in 2016. The growth in collections indicates a sharp recovery in the economic activities and written-off passenger vehicle movement. Recently, the NHAI has increased toll rate for 2023 as toll rates are linked up to WPI.

Now, coming to the key initiatives by the government, the government has remained supportive to the entire infrastructure sector for the last 6 to 7 years and has come out with multiple initiatives to spread the growth and reduce the challenges while ensuring the quality. The government has extended the relief measures to the highway contractors and concessionaires as till 31st October 2022 which were implemented to improve the liquidity. Also, as per the notification issued by the ministry on 11th April, all the HAM and EPC contractors will continue to get paid on monthly basis for their work done for the period between April 1st and October 31st. As per the earlier timeline, these measures were set to end on 31st March 2022.

To give you some of the updates on asset monetization, the government has mopped up Rs. 96,000 crores in FY2022 under the national monetization pipeline which is far more than the target of Rs. 80,000 crores said by the government. Of the Rs. 96,000 crores, the ministry of road, transport and highways achieved an overall monetization value of about Rs. 23,000 crores. The government is planning to monetize 1.62 lakh crores in FY2023.

Now, coming to the key updates of the company, the percentage of fiscal progress as of March 31 2022 for the HAM project is as follows, Trichy to Kallagam 94%; Magadi to Somwarpet is 56%; Oddanchatram to Madathukulam is 56%; Ramanattukara to Valanchery is 3%; Valanchery to Kappirikkad is at 2%. During the quarter, the execution has primarily driven by HAM and Irrigation projects. Out of the Rs. 1,098 crores revised equity requirements for all the 8 HAM projects, the company has already invested Rs. 521 crores as on March 31st 2022. The incremental equity requirement of Rs. 577 crores, to be infused Rs. 300 crores, Rs. 150 crores and Rs. 170 crores for 2023, 2024 and 2025 respectively. You can refer to slide number 28 and 29 of the investor presentation for detail on each HAM project.

I will now take you through the key highlights of the company in terms of appointed dates and financial closure, etc. Now, to give you some highlights on the financial closure:

The company has received financial closure for the projects, KNR Ramagiri Infra Private Limited which received the financial closure from NHAI on 30th March 2022 for HAM projects.

Now, coming to updates on the appointed dates for the projects as follows:



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Received appointed date as on 31st January 2022 for six-laning of Ramanattukara to start of the Valanchery bypass under the Bharatmala on HAM mode, received appointed date as on 21st January 2022 for 6-laning for the start of Valanchery bypass to Kappirikkad under the Bharatmala Pariyojana on HAM mode.

The company has transferred 49% stake each in the subsidiary companies of KNR Tirumala Infra Private Limited and KNR Shankarampet Projects Private Limited to Cube Highways and the Infrastructure on 31st December 2021. Also, the company has subscribed to the 100% partnership interests. In the two entities named Manjeri City Infrastructure and Developers LLP and Benedire Infrastructure and Developers LLP which owns stone quarry which is useful for the road construction. The intent for this is to facilitate the implementation of Highway construction projects in the state of Kerala by the company. The toll collection for the Bihar project that is Muzaffarpur to Barauni, the toll collection in Q4 FY22 and FY22 has been Rs. 10.42 crores and Rs. 38.58 crores respectively.

Now, coming to the order book position, as on March 31st, 2022, the company has an outstanding order book position of Rs. 9,001 crores. EPC road projects and HAM projects constitute 75% of the total order book while irrigation projects constitute the remaining 25%. Client wise, 30% of the order book is from third party clients and balance 45% is from captive HAM projects. The third party order book on non-captive order book which accounts for 55% of the total order book position is skewed between the state government contracts with 41% whereas 11% is from central government and balance 3% order book is from other private players. The total order book position is Rs. 9,766 crores including one new HAM project. With that the irrigation constitute 23%, road 28% and HAM 49%. Please refer page number 34 of the investor presentation. The current order book position remains healthy and provides a clear visibility of execution over the period of next 2-1/2 years. The robust project pipeline and ready DPR under the Bharatmala project accelerate the project awarding activity going forward. The company is targeting further order book inflow of Rs. 4,000 to Rs. 5,000 crores for the year FY2023.

Further, recently the income tax department has carried out a search operation at the company's various business premises at the section 132 of the income tax 1962 in March 2022. The company has extended full cooperation to the company's officials during the search and provided all the information's sought by them. The company has not received any formal communication from the income tax department and the management is of the view that this will not have any impact on the company's financial position as of March 2022. Hence, no provision for any liability has been recognized the financial results. I will now request Mr. K. Venkata Rama Rao, our GM, to present the results for the quarter and financial year ended March 31st, 2022. Over to Mr. Venkata Rama.

Venkata Rama Rao:

Thank you, sir. Let me take you through the Q4 and FY22 standalone financial performance:



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I will start with the quarterly highlights. First the revenue for the quarter grew by 8% year-on-year to Rs. 1,011 crores. EBITDA for Q4 FY22 witnessed a growth of 14% to Rs. 208 crores as compared to Rs. 182 crores in Q4 FY21. EBITDA margin in Q4 FY22 stood at 20.6%, an expansion of 111 bps. Net profit for the quarter was Rs. 112 crores as compared to Rs. 77 crores in Q4 FY21, a growth of 46%. The revenue for FY2022 grew by 21% year-on-year to Rs. 2,373 crores. EBITDA for FY2022 witnessed a growth of 26% to Rs. 678 crores as compared to Rs. 536 crores in FY21. EBITDA margin in FY22 stood at 20.7%. Net profit for FY2022 was Rs. 381 crores as compared to Rs. 244 crores in FY21.

Let me quickly take you through consolidated performance:

The company has recorded 11% year-on-year growth in total revenue from Rs. 991 crores in Q4 FY2021 to Rs. 1,102 crores in Q4 FY2022. EBITDA came in at Rs. 279 crores in Q4 FY22 as compared to Rs. 222 crores in the same period last year. EBITDA margin in the current quarter stood at 25.3%. Profit after tax stood at Rs. 140 crores in Q4 FY2022. The revenue for FY2022 grew by 24% year-on-year to Rs. 3,606 crores. The EBITDA for FY22 witnessed a growth of 14% to Rs. 799 crores as compared to Rs. 699 crores in FY21. EBITDA margin in FY2022 stood at 22.1%. Net profit for FY2022 was Rs. 366 crores as compared to Rs. 383 crores in FY21.

Now, moving up to the standalone balance sheet, the company continued to remain a strong balance sheet and remained debt free. The working capital days stood at 63 days compared to 82 days on the year-on-year basis. Consolidated debt as of 31st March 2022 is Rs. 1,410 crores as compared to Rs. 722 crores as of March 31st, 2021. Then net debt to equity on consolidated basis as of December 31, 2021, stands at 0.49x as compared to 0.29x as of March 31st 2022. With this, we can open the floor for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Congratulation on the good quarter and a good year and especially good work on the margin side, sir, my first question, how do you see FY23 in terms of revenue growth and EBITDA margin and what was the order inflow in FY22?

S. Vaikuntanathan: Going forward, because of the present trend of the price shooting up and all, we have taken a calculated risk and then our turnover may go up to 10%, maybe we may reach 3,500, yes the safe side and about the EBITDA margin and other things, I think this is not the right time to project because the prices are going up and then if you see the bitumen price over the last April to this year, it has suddenly increased approximately varying from 35% to 40% and also steel has gone up above 20-25% and similarly cement also is going up, so any projection of EBITDA giving at this stage, we feel that it may not be right, but any how we will try to maintain at least reasonable figure of EBITDA margin, may be at 15-16%. The order as I already said the total Rs. 9,700 crores order on hand is there and the tenders, yes, we are hoping we should get around



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Rs. 4,000 crores of order now. Going forward, we have to wait and see how the prices are moving ahead. We don't want to take any hit on the bottom line. That is our main concern. That is why even in the last March so many tenders, though we have quoted with our anticipated EBITDA level and other things, we could not get it because of this reason only, but we don't want to take any hit on our bottom line, and management is very clear on that.

Mohit Kumar: Sir, do we have the opportunity to build the Irrigation book over next few months on this fiscal given that the order book from irrigation is drilling down and a mix of irrigation has seen posting a bit EBITDA margin?

Venkata Rama Rao: There was a query about the future turnover and what we have said is that because of the present developments and other things conservatively we are placing that our turnover for the next year will be something like Rs. 3,500 crores and the EBITDA level we will try to maintain anywhere between 15% to 17% and if the prices are under control, then definitely our profitability rate and things will also go up and with regard to the order book position, we have already explained them we are having approximately 9764 order on hand which we will see as improve for the next 2-1/2 years and we are hoping to definitely get more orders to the extent of Rs. 4000 crores, but not at the cost of sacrificing our bottom line, that is our main concern. The prices which the last year, the bitumen prices have short up more than 30-40%, steel prices also have gone up 20-25% more than that and cement is also going up, so we want to take a very calculated risk of keeping our bottom line very safe for us to float for the future programs. So, anyhow, at the maximum, we will try to achieve that additional order book position of around Rs. 4,000 crores if all the estimation are safe and then our bottom line is not affected.

Mohit Kumar: Sir, my second question is given that the irrigation order depleting, is there any large opportunity to build irrigation book for next few months in this fiscal?

S. Vaikuntanathan: As far as irrigation is concerned we are only concentrating it, the main logic behind is the government should have funds to carry out the execution, so that we are very much careful in selecting the irrigation projects and we also look for that if there is any such opportunities are available, definitely our management will try to add irrigation projects.

Mohit Kumar: Sir, I am asking about the pipeline, say is the pipeline irrigation looking better?

Jalandhar Reddy: Actually, the irrigation projects are now not much and the funds for the irrigation projects are little bit problematic due to state governments being underperformed due to this. The reasons are many as you know that the Ukraine war and more debt positions, the state governments like Telangana and Andhra Pradesh, these are most of the areas where the irrigation projects were available those in these two areas and however, we are focusing in other states where some richer states are there like Tamil Nadu and all we are trying to put up our bid. Once there is a bid, definitely we will put our bid and definitely we will try to take the projects.



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- Mohit Kumar:** What is the state of the land acquisition of KNR for Chittoor-Thatchur?
- Jalandhar Reddy:** Yes, actually the land acquisition position in this Chittoor-Thatchur is only almost 20%-25% by now, but the situation has come that all the development that CALA has been done and now we are looking to dispose in 15 days if that happens, I think in a month's time we can take the appointed date. Maximum the estimation is like that and even department yesterday, there was a meeting in Cochin for all quick meeting was there where along with the chairperson on Sunday, so they committed that within a month, they will give us the appointed date by acquiring 80% land.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, this Rs. 4,000-Rs. 5,000 crores order inflow that we are looking at, so out of that how much we are looking for HAM projects and is there any specific state EPC projects that are there in pipeline?
- Jalandhar Reddy:** Actually, the order concerned now was not a big hope or those that we see from irrigation now that we are little bit downgrading the irrigation business because the certainty of payments have been reduced, so in order to avoid risks kind of things, we are just trying to avoid, can't say avoid, but we feel if the state is richer and they are able to pay, definitely we will place our bids and we will try to win. **(Inaudible) 25.12** Mostly, we were looking the orders from Highways or flyover projects in various states from may be HAM, first **(Inaudible) 25.31** know that now the market is little bit crowded **(Inaudible) 25.23** I mean to say within time we will take orders but we can definitely **(Inaudible)25.47**.
- Shravan Shah:** Sir, your line was cracking, but what I understood, correct me if I am wrong, you are saying your irrigation not much scope left of right now, so you will look at in the road space only particularly HAM and Flyover projects, so coming to that have we bided any other project where the result to yet to come?
- Jalandhar Reddy:** No, I think there is a little bit slowdown from NHAI side also.
- Shravan Shah:** Venkata Rao sir, I need couple of data points, firstly is on the outstanding debtors, so including debtors and unbilled revenue from the irrigation projects and if you can help me in terms of the project specific also there, it would be great because last time we said close to Rs. 590 odd crores were that, so what is the status now?
- Venkata Rama Rao:** As of now, the irrigation project around pending receivables are there as of date around Rs. 650 crores. Out of that around Rs. 360 crores in from Vattem site and Rs. 50 crores of Mallana side and Rs. 75 crores from package 4 and around Rs. 90 crores in package 3. So, around Rs. 650



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crores is pending, both receivable as well as unbilled as of date from the irrigation sides and you are asking about some project specific data also.

Shravan Shah: No this is only I am asking, so out of this Rs. 630 odd crores, have we received anything in April-May or this is the number as on May you are saying?

Venkata Rama Rao: Yes, this is the number as of May actually.

Shravan Shah: Other point is, what is the CAPEX that we are looking at in FY23 and the retention money, mobilization advance and unbilled revenue number as on March?

Venkata Rama Rao: As far as CAPEX is concerned, this year actually we are looking for somewhere around Rs. 120 to Rs. 150 crores of CAPEX because most of the CAPEX which is now required in the Kerala project we are going to acquire and definitely any projects which we are going to take this year is CAPEX requirement may not come in this year, so that is if you see in last year, we have recorded almost Rs. 200 crores of the CAPEX actually and which advances it is accomplished to around Rs. 250 crores of the CAPEX we did in the last year, but due to this actually this year CAPEX requirement may not be that much, it will be between Rs. 120 to Rs. 150 crores and as far as mobilization advance is there, it is around Rs. 140 crores, mobilization done as of 31st March.

Shravan Shah: Retention in unbilled revenue?

Venkata Rama Rao: Retention receivable is around Rs. 181 crores and unbilled revenue is around Rs. 250 crores, Rs. 255 precisely.

Shravan Shah: And lastly, in terms of the Kerala new HAM projects, so how much we are expecting in terms of the execution for this year?

Jalandhar Reddy: Around 1500 we can expect this year from these two projects.

Shravan Shah: And Venkata sir, lastly on the depreciation front, so the current run rate will continue Rs. 39-Rs. 40 odd crores or it will start reducing?

Venkata Rama Rao: It will be the same because lot of assets are acquired in this year, in 2022 that is why this same rate will be there for 23 also.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: Congratulation on good set of numbers, Reddy sir, coming back to the revenue numbers, so we on the opening remarks we are **(Inaudible) 30.55** Rs. 3500 crores of revenue for FY23, but sir, if you see the order backlog more than 90% is executable right now, so even if we do 40-45%



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execution in this year, we can easily get 3700-3800 sort of revenue, so almost 15% growth we can have and plus once we get the AD for the balance Chittoor project, you can easily reach the revenue of Rs. 3800 - Rs. 3900 crores, so don't you think this is too conservative in terms of guidance?

Jalandhar Reddy:

Actually, today you look at the situation adding in the thing, as you know that Ukraine war and all, there has been material supplies are also short falling, we are unable to get the required materials. There have been more other problems which we are facing like, in this irrigation there is the run facility of payments are there, so most of the irrigation that pump house project is still pending to execute. Based on the pump house project at least concerned it required lot of machinery part of its concerns, so definitely we will have to little bit no arrears on that, so that is where we are expecting this time, so we would like to stick to that whatever we said.

Jiten Rushi:

This Kaleshwaram package 3 the land was a big issue as you said pump house project getting delayed, so this land issue has been resolved or what is the current status as of now?

Jalandhar Reddy:

I am not talking about that pump house project concern, I am more concerned about the funds that they have release because the central government has halted the **(Inaudible) 33.12** because of the state government not being shown with the FRBM limit and all, so now I think state government is following up with the central government to comply the situations. Once they do and they regularize, then only we can go solid on that, otherwise we can partial block over there.

Jiten Rushi:

Sir, we have been executing this irrigation project for last 1-1/2 to 2 years with this issue only that payment has always delayed, as of now also in the opening remarks we said Rs. 650 crores is still outstanding, so these debtors have always been high for last couple of years, the irrigation project is always lagging in terms of payment, now that we have been up fronted with?

Jalandhar Reddy:

Every time we had, whenever there was backlog, at least partial payment we used to get, but since for 3-4 months, we are not getting anything and the loans that are available for these projects have been halted, so little bit we are going cautious, already Rs. 600 crores and odd is already pending, if we further invest and wait on that, then again it will be clumsy thing and it may interrupt our equity investments into the Highway HAM projects also. That is why we are worried, sir actually.

Jiten Rushi:

So, we believe the state governments loans have been altered which will have a funding problems to your projects, so we are going cautious?

Jalandhar Reddy:

Yes, we want to be a little bit cautious this time because we never know when they will solve these problems and they could.

Jiten Rushi:

But sir, if you are halting on it, if at all things normalize in couple of months, then what could be the revenue which you can achieve in this year?



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Jalandhar Reddy: I haven't added one more thing that this time we received early monsoon, April third week onwards the monsoons have started in the area of Mangalore and Kerala projects, so this are almost 50% of the order book is in these two areas only and rest of it concerned that irrigation also, we have order and all other areas it is only little, if you take out all this other than 20-25% is only little bit without rainy problems, so we expect a little bit problems this year as early monsoon of 1 to 1-1/2 months will create huge cover for us because we have to, even the projects are new, so all the earthwork need to be done and in an excess moisture condition, the earthworks cannot be done and we will have issues here. That is where we were not that much daring enough to come forward.

Jiten Rushi: And sir, the last question, when are we expected to close the deal with Cube Highway and when the balance cash flows expected, sir?

Venkata Rama Rao: Cube deal two projects which we have highlighted, we already know 49% of the shares have been transferred and the money has been received and for the balance 51% also now we have got the NHAI approval and maybe we expect in the next 1 or 2 months, that also will be close and the third project also is likely to close in next because that we will go for 100% and then that also will be closed in the next 2 months. Overall, by June, July end I think it should be over.

S. Vaikuntanathan: Actually, what is happening this in Srirangam also 49% stake we will most probably by end of June we should be able to close it and other 51% for all the three projects because we have to get the final COD that we are expecting in Q2 actually, so that is why by July or August end, we should be able to complete this entire three projects for balance 51%.

Jiten Rushi: So, basically, Q2 we should be through with this transaction?

S. Vaikuntanathan: Yes.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congratulations on a good quarter, sir, my first question is on irrigation projects, so how much was the revenue for FY22 from the irrigation project?

Jalandhar Reddy: It is 30% actually, for the entire year it is around 30%.

Parikshit Kandpal: Let us say about Rs. 900 crores?

Jalandhar Reddy: Rs. 970 crores.

Parikshit Kandpal: On Rs. 970 crores, we have Rs. 650 crores of outstanding on both sides, very big, almost 240-245 days and just on the irrigation project, the balance Rs. 2,200 crores of order backlog, so how



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do we intent to execute it and how do we intent to recover this Rs. 650 crores, unbilled and debtors due?

Jalandhar Reddy: Irrigations are concerned, every time we used to have a gut feeling that the payments will be done and all because when compared with any other state the Telangana state used to be proactive and they have good fund base also. This time as they have crossed more FRBM issues and they have entered into a big debt scale, I can't say it cannot resist, the government cannot service the debt, but right now the scenario like the central government is having restrictions on such cost, so here we are little bit going safe I feel.

Venkata Rama Rao: And Parikshit, I just want to clarify as of 31st March, the turning receivable is around Rs. 560 crores, whatever 650 we told as of March, so out of 975, we are around 560 is outstanding, just point of clarification.

Parikshit Kandpal: But even if I take the last year run rate of 970 revenue, this year FY23 how much revenue you were expecting from the irrigation project?

Jalandhar Reddy: Problematic to answer, but however, we will try our best to deliver that.

Parikshit Kandpal: I am not too much worried on revenue, I mean if the money is not coming it is fine you don't do the project that is fine, but my only concern is on the debtor and receivables of Rs. 650 crores as of May, so just wanted your understanding how are we, what is the payment scheduled there, so how do you intent to recover this because obviously revenues bills would have got submitted, so when if the authority or the department telling you on the payment, so can you just give us some sense there?

Jalandhar Reddy: Yes sir, here the bills are submitted, all the efforts that we can do to do that and even state government is saying that they will pay shortly from state government funds. Once they pay, definitely we can move.

Parikshit Kandpal: Because I thought that this project was financially close to NABARD, funds were being arranged from NABARD for this project?

Jalandhar Reddy: Fund was available for these projects, so that has given us little bit gut feeling to go ahead also, but regarding nowadays one of the new things that are which is little bit dilemma on these. That is the problem.

Parikshit Kandpal: Second question is on the Kerala project, so how much has been the CAPEX on acquiring the quarries, you said that 100 was the CAPEX and 50 including and also for the CAPEX last year, so how much is the total CAPEX on acquiring that quarry already incurred and how much is pending because I understand we were to invest about Rs. 100 crores in acquiring the quarry?



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- Venkata Rama Rao:** Out of Rs. 100 crores, entire Rs. 100 crores has been spent, but as of March we did around Rs. 70 crores in the quarry and balance Rs. 30 crores we did in this after March actually, so as of date, entire Rs. 100 crores we will spend for the quarries.
- Parikshit Kandpal:** Just the last question sir, of late time in December we had a project issue wherein some NHAI related issue has come and CBI was investigating it and now we have this income tax search, so if you can touch upon the two things, are two things related is that NHAI things triggered this income tax and why is it happening, if you can just elaborate what happened at the bank end, is there anything on the system or processes side with contradiction of income tax and potentially you have not taken any provision that because we have not heard anything from income tax, but with the discussions with the income tax, if at all we can quantify how much could be the provisioning which could be essentially required on this?
- Jalandhar reddy-----:** Definitely, as far as NHAI regarding this case, on this case actually that is the case between NHAI and that respective BD but they made us as the third party, so definitely their case is mostly between NHAI and BD and in that case, there we have got some contingency issue. As far as our project is concerned definitely what are the contingencies is projected, it is already built in the work order, so we definitely is not seeing anything grey about this cases.
- Venkata Rama Rao:** Yes, with regard to income tax, once in 6 years there used to be a survey or search. We got something somewhere in 2011, we got it. Now, after 11 years we have come. They have done a survey and search as far as inspecting the subcontractors and all, but we have provided all the information. No incriminating document were found so they have to prepare a report and this report they will send it to the assessment department and the assessment department will if there is any doubt and anything, anything clarification they register notice on that, so we are waiting for that. It may come may be in the first or second quarter, so we are waiting for that.
- Parikshit Kandpal:** But there was nothing on unaccounted income site, nothing was found, they have not?
- Venkata Rama Rao:** Not found nothing, they got nothing. We have provided all the details; we have given the ledger accounts and other things and no incriminate document has been found.
- Parikshit Kandpal:** Because we expect KNR it will be held is very high in the corporate governance and I hope that all the things are transparent and this thing will just pass by, so it is more of a normal dutying kind of a thing.
- Moderator:** Thank you. The next question is from the line of Faisal Hawa from HG Hawa and Co. Please go ahead.
- Faisal Hawa:** What is our ROCE in the last Q4 and what has been the ROCE for the entire year and the ROE for the company?



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Venkata Rama Rao: For entire year, ROE is around 17%.

Faisal Hawa: And ROCE?

Venkata Rama Rao: ROCE is that we will work out and give you, because we haven't.

Faisal Hawa: And second question is sir, majority governments in most state and BJP ruling and the governance is much better, why are we not now looking at more Northern state and with central India state where the bulk of the orders are being won by other construction companies and you know there our order book is almost 0, so generally the belief is that the governance in these states has gone better and obviously what is the thinking between the board, are they planning this company to grow like 15% to 16% every year for the next 5 to 6 years and building up systems and all processes according to that and really that is where conservative bidding also come because we are wanting to make the company growth of 15-16% CAGR for next 5, 6, 7 years, so is that the thought process with the board and Respected Mr. KN Reddy?

Venkata Rama Rao: As we suppose, if you see our track record, we are Pan India presence and we have done earlier and now also totally around 75 projects we have done across the country of 1,04,530 million order book and it is not that we are not going other states and other things, especially North Indian states, there is a peculiar problem, in North Indian states, if we were to go, you should have your own quarry and we are sometimes feeling that while the quarry is very difficult to get in North India nowadays and the transportation also they link and the quarry and transportation they themselves provide, so they take away our profit margin, it is not that we fail to go there, but we don't want that our profit margins be sacrificed. That is one of the main reasons, we are taking calculated risk, but if at all it is available, our Director will take a call on that and we will grow in the Northern side also in a very bigger way. Already we have done in Bihar, as I told you we have done in Arunachal Pradesh and we have done in Orissa, so many places we have done and now our main concern is to grow within bottomline, so that we can also pay our loans to the investors. So, that is the main concern.

Jalandhar Reddy: Sir, like to add one more word in North Indian projects, it is not that we haven't done bids in North India and other part of India other than South, we are open and we are doing. Actually, as we rightly said that some quarry issues we are facing, may be because of that we are becoming higher and more over looking at current trend of tendering, it think Southern region is having a better sensible bidding that is happening when compared with the Northern India. You may even observe the bid results at which the bids are sold.

Faisal Hawa: And sir, if you could answer the question what is the thinking of the board, are we planning the company for 15-16% growth and whether that is going to be way forward for us?

Jalandhar Reddy: It is not that. Actually, the Northern India the major problem we face is that complete rainy season we will not know how many months it will be there, definitely the equipment out turn



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and manpower outturn is almost becoming a little bit problematic when we were working out. Second thing, what we are facing is that the quarry issues that I don't own a quarry that and complete the.

Faisal Hawa: What I mean is that generally between the board, do you want to grow like 15-16% conservatively rather than have a large growth in one year and are we making this company that way because we really like to know what the management is really thinking?

S. Vaikuntanathan: As we explained to you earlier, our main consideration will be that to keep the bottomline number one, at any cost we should keep the bottomline so that is the main concern. So, keeping that in view, the tenders are being bid and then this year as our ED was telling monsoons are somewhat erratic like it has started earlier where our projects are now there. We have to wait for that, otherwise we cannot do in the heavy rain season and other things, and all we take into account. So when the investors today ask we have to say that will definitely achieve this much 10%, but if we can achieve more than that, definitely we will not lose that, we will do that.

Faisal Hawa: And sir, the Kerala quarry will last us for how many more projects after these two projects?

S. Vaikuntanathan: In Kerala too, very big quarry has been acquired keeping in mind that the project requires around 40 lakh tons of quarry material. Now, the main reason for taking this also that the earlier some of the projects even bigger port projects and all was delayed due to the quarry not available, so this quarry will definitely come for the entire life of the projects and also for the maintenance period and all and depending upon these, excavation and other things utilization, but it will withstand the entire project period that you can say.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Sir, just to continue on the irrigation part, given the fact that you have made understand your thought process on the way you want to approach irrigation details of the way you see state finances, so the thought was when I look at the growth that we have seen I was essentially for last year it has been the combination of irrigation and roads, irrigation again was because the base was low, has been able to kind of come as key contributor for the growth, so now given the fact that we are planning little slow on irrigation till the time we find comfort with state finances, would you start looking at any new segment kind of development you said again for future growth so that I mean let us say if you get to us kind of situation of irrigation again, you have some other sectors that we will look into it and grow your topline, so any sector that you are looking at other than roads and irrigation kind of level of growth going forward?

Jalandhar Reddy: Going forward, looking at other sectors, like we were even planning in railways and all, but as of now, the sufficient order book is there, recent days no doubt the bidding has become little bit competitive. Definitely, we hope coming 1-2 years, we can go ahead with the order book



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whatever you have and in coming first and second and third quarter, if we don't get any orders, definitely we will move out to railways and mining operation areas, even metros also we are planning, all that can be also explored.

Prem Khurana:

Let us say, I mean if you want to scale some of these other segments as well, so given the fact that we would have experienced similar kind of cycle with irrigation, right when you started an irrigation long back, so how long does it take to be able to kind of scale it to the level wherein it comes to do justice to our side and the kind of margins that we look at the kind of capital that we would be willing to kind of come, how long does it take to kind of scale a new segment, I mean, let us say, if you decide to get into metros tomorrow, how many years would it take you to be able to kind of take to a level wherein it does justice to the efforts that you have put in?

Jalandhar Reddy:

Actually, currently, if they are speaking with all these railways I spoke about or the metros I spoke about, we will need a partner, Joint Venture partner wherein the Joint Venture partner cost will also come into the place, so definitely it is not like irrigation projects, maybe we were expecting, should be in line with 12-13 EBITDA margin levels for the instance, can't say, once we step in we observe the data, technically we completely work on the data, then we will come back with the right figures.

Prem Khurana:

And sir, lastly, there was a media article suggesting some issue with aluminium industries, possible to share thoughts on that whether the land is with the company or is it the promoters in their personal capacity and what exactly is the issue there?

Jalandhar Reddy:

That concern, the land bank about, it is completely purely a personal thing, first thing I would like to mention, but however, it is connected with the promoters of KNR Constructions Limited, I would like to give the explanation to it. There has been 103 acres which has been bought by CIFL during 1964 at the time they bought and they sold certain part about 45 acres to Alind which is Aluminium Industries Limited. So, here the ends to the 45 acres, he is sitting on almost 70 acres or something which we have intervened to that means we bought the property and he is sitting right away, we were trying to fix the border where he hindered us, that means he was objecting for us to put the border. Even the border was fixed not by me, it is fixed by the revenue authorities, MRO has come and he himself fixed the margin border, he approached the court for stopping that survey, then the resurvey is also conducted at the instructions of the court. Even after that, we found to be correct. It is completely fair transaction with us, we are not doing any sort of illicit things over there as he is interested in the media, so he is trying to give all the adverse statements as it is. We were silent on it because we have already put the case into the relevant courts, so we were like to hear from the court and this is the situation.

Prem Khurana:

And just one last if I may, Venkata sir, is it possible to share the breakup for this irrigation revenue that you shared with us Rs. 970 crores in terms of various projects and also if there were any mobilization advances available with us for any of these projects?



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Venkata Rama Rao: Mobilization is available not because in irrigation projects, there is no mobilization. For other projects, there is around Rs. 145 crores mobilization advances there. As far as the Rs. 975 crores breakup is there, out of that Mallana Sagar, we did actually Rs. 210 crores and Vattam is Rs. 285 crores and Kaleshwaram package 4 is around Rs. 400 crores. So, this is the breakup and Rs. 60 crores from Kaleshwaram package 3. So, basically, these four projects have contributed to the extent of Rs. 975 crores.

Prem Khurana: So, does that mean when I look at the unbilled revenue and receivable exposure that you shared with us, Rs. 360 crores is towards Vattam, which essentially would, I mean it is, a part of that is due for more than a year, because the revenue is only 285 and our exposure is around 360, so which is?

Venkata Rama Rao: Out of that we received in this quarter money actually, so this figure we are giving 31st March actually, in 31st March turning receivables are there.

Prem Khurana: So, Vattam is the key contributor if I were to understand this exposure correctly because in Kaleshwaram against Rs. 400 crores exposure is only around 78, so you are able to realize payments in that, I think Vattam would hold the key, whether we would be?

Venkata Rama Rao: Yes, the issue is there in Vattam only where the payment is extra case, for the ED sir explaining in this Kaleshwaram.

Prem Khurana: So, in Vattam, we received the payments directly from the government authority or it comes through NREGA?

Venkata Rama Rao: It comes through NREGA only, but there is no issue from receiving from receiving from NREGA because they are not getting even payment from governments only actually.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi investments. Please go ahead.

Ravi Naredi: During the search of income tax, any case of KNR Construction seen by IT authority?

Jalandhar Reddy: No sir, no incriminating documents, cash in KNR c

Ravi Naredi: Means not a single rupee?

Jalandhar Reddy: Yes, of course.

Ravi Naredi: That is very nice, sir, you are a very intelligent in the promoter and I knew how we are growing in your direction and investor. Sir, order book which you had given, Rs. 10,000 crores around, how much order we may receive this year?



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- S. Vaikuntanathan:** In 2022, we have not received any order currently. Out of 9700 that is all is pertaining to last year.
- Ravi Naredi:** Yes, I understand, but any L1 project is there?
- S. Vaikuntanathan:** We are expecting something like Rs. 4,000 crores because as Venkat was telling we are trying to bid what all number of HAM projects and flyover projects across various states and hope that we will definitely try to get it.
- Moderator:** Thank you. The next question is from the line of Vijay Bharani from Spark Capital. Please go ahead.
- Vijay Bharani:** Sir, can you give the EBITDA margin segment wise, like roads and irrigation for FY22?
- Venkata Rama Rao:** EBITDA margin for irrigation is around 24% and HAM is around 18% and normal other roads are around 13%.
- Vijay Bharani:** And what are the cost escalation clauses that are there in the irrigation contracts?
- Venkata Rama Rao:** Irrigation contracts are what are the cost escalation is there, that is generally in irrigation contract, major contributor is diesel only and almost around 60 to 70% price variation clause is there and it would cover in there, but as far as other project is concerned like basically our HAM EPC project they are fixed price EPC project, so no cost escalation is there in that project.
- Vijay Bharani:** So, if I understand right what you are telling is 60% of the contract value in irrigation project have cost escalation?
- Venkata Rama Rao:** Yes, correct.
- Vijay Bharani:** Can you give the order book value for the Vattam project, Mallana Sagar, Kaleshwaram package three and four as at the March?
- Venkata Rama Rao:** For package three actually, it is Rs. 616 crores; for Kaleshwaram package four, it is Rs. 1,153 crores; for Vattam it is Rs. 290 crores and for our Mallana Sagar it is Rs. 56 crores.
- Vijay Bharani:** And coming to your creditor days of 57 days, how do you calculate this sir, if I see your balance sheet trade payables, it is around Rs. 300 crores, so do you include some other number to calculate the creditor days of 57 days?
- Venkata Rama Rao:** The creditors days is based on purchasable calculator, it is not based on turnover, so it is definitely based on purchasable calculator.



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- Vijay Bharani:** But the other two, the inventory and debtor days you calculate on?
- Venkata Rama Rao:** Turnover, that is on turnover.
- Vijay Bharani:** And one final question on macro front, now in 2022 we had 6,300 odd kilometers of projects awarded by NHAI much above their target of about 4800 kilometer, so what do you sense as the target from NHAI for FY23 in kilometers?
- Jalandhar Reddy:** That I need to certain there, but as of now the hope that can be done because land acquisition has done slow pace, so the clarity may come up on one to two months actually. NHAI is targeting huge, they have been mandated by PMO for awarding lot many projects. At the land acquisition issues, they would go part in allocation, and they are targeting more than that.
- Vijay Bharani:** Your voice broke right when you said they were targeting, so how many kilometers they are targeting.
- Jalandhar Reddy:** Number of kilometer wise actually they are targeting more than this year, but I am little bit doubtful because the land acquisition is in slow pace. Now, whatever they are planning to award in this year are more from Greenfield highways. If the Greenfield highways entire land they would need to be acquired because it is complete like bypass only, all expressways and most of them are coming in the form of expressways are in the Greenfield highways they are coming up. So, at this point of time, it is definitely needed.
- Vijay Bharani:** What you are telling is it will be they are targeting higher than FY22 and mostly on Greenfield expressway side?
- Jalandhar Reddy:** Unless they really get that.
- Vijay Bharani:** But you are telling land acquisition would be the biggest challenge to achieve this target?
- Jalandhar Reddy:** Yes, that is what I am thinking because all Greenfield Highways, Chittoor-Thatchur is almost one month now. We were waiting for appointed date to happen. That is the complete Greenfield Highways right?
- Vijay Bharani:** So, it looks like this 2022, 6,300 looks like similar to FY18 where there was a big jump and then because of land acquisition problems there was a cyclical downturn, I hope that doesn't happen in FY23, but coming to one final question on your bidding behavior, so in 2022 especially in March we didn't win any project though we won one project recently, can you just touch upon your views on competition, would this mean for the entire industry is there going to be some unfavorable event because of this high competition down the lane?



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- Jalandhar Reddy:** We were expecting some sort of aggression to continue up to couple of I can say 5 months, first two quarters would be little bit aggressive which we are expecting because many projects have been completed under HAM, whatever they were taken and that two years back HAM projects were taken, they all have been completed and now they are going for a new set of HAM projects, so complete aggression is there now and the supply is very heavy, the good hope is there that market can also reserve at a reasonable price. Going forward, for all the projects which have been tightly bided or highly competitive based, it is quite difficult to get the financial closure also which we were thinking.
- Venkata Rama Rao:** So, what our point is one more silver lining is there, NHAI is coming out with the new tendering norms whereas the outstanding hit is the company or the person is bidding for 2-3 projects and whatever the outstanding projects, the equity commitment will be deducted from the network and that will affect lot of the players, so that at least a company keeping more projects on hand will have problem to bid more projects. So, in company like us who is monetizing the projects will have always adequate equity available to bid more projects.
- Vijay Bharani:** When is this regulation likely to be implemented?
- Jalandhar Reddy:** The paper has already come; we shortly will do it.
- Vijay Bharani:** Because it is similar to the earlier BOT regulation where if you have nonclosed financial closure for 3 projects you can't bid for a new project, it is similar to that, if it is implemented it would be better for us.
- Moderator:** Thank you. Due to time constraint, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. S. Vaikuntanathan for closing remarks. Please go ahead.
- S. Vaikuntanathan:** Thank you all for joining us on this call. Please reach to our IR consultants, Strategy Growth Advisors or us directly should you have any further queries. Thank you.
- Moderator:** Thank you. On behalf of KNR Construction Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.