



“KNR Construction Limited Q1 Financial Year 2015 Earnings Conference Call”

August 18, 2014



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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY 2015 Earnings Conference Call of KNR Constructions, hosted by Anand Rathi Shares and Stock Brokers Limited. 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, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Valecha of Anand Rathi. Thank you and over to you Sir!

Manish Valecha: Good afternoon ladies and gentlemen. We welcome you all to the Q1 FY 2015 Results Conference Call of KNR Constructions. We have with us from the management Mr. Jalandhar Reddy, the Executive Director of the company and Mr. Sravan Kumar, the CFO of the company. Without taking much time, I will hand over the call to Mr. Reddy for his opening remarks. Over to you Sir!

K. Jalandhar Reddy: Good afternoon. I believe you must have had an opportunity to see our results and the presentation that has been circulated and uploaded on our website.

Now I will go to the quarterly results. I would now present the results for the quarter-ended June 30, 2014. The total income from operations posted by the company is 2365 million in Q1 FY 2015 as against 2077 million within the same quarter in the last financial year thereby recorded a growth of 14%.

EBITDA for Q1 financial year 2015 is about 311 million as against 287 million thereby a growth of 8% over Q1 FY 2014. The EBITDA margin for Q1 FY 2015 is 13.1%.

The other income in Q1 FY 2015 has increased by about 61% to 28.5 million as compared to 17.7 million in corresponding quarter of the last year. The increase is due to profit on sale of assets and the interest income.

Our interest cost has gone down by 21% to 29.7 million in Q1 FY 2015 as compared to 37.6 million in Q1 FY 2014 mainly due to repayment of substantial amount of term loans.

Depreciation is lower in Q1 FY 2015 as against Q1 FY 2014 due to the revised depreciation rate on fixed assets as per useful life specified in the Company's Act 2013 as reassessed by the company.

Profit before tax grew by 26% in Q1 FY 2015 to 167 million as compared to 124 million and profit after tax grew by 78% to 198 million as against 111 million in the same quarter of last financial year.

The growth in profit after tax is mainly due to the reduction in income tax, which is mainly due to Rs.43.5 million claimed for deduction of profit under Section 80-IA for the eligible projects



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executed during the quarter and one more reason being deferred tax assets increased by 46.4 million due to higher depreciation as per useful life defined under the Company's Act or reassessed by the company.

We will go to the balance sheet. Our debt to equity ratio is 0.13 as on June 30, 2014 as against going 0.17 as on March 31, 2014.

We will go to the order book. Order book as on June 30, 2014 is approximately 12000 million, out of which 94% comes from road projects and balance 6% from irrigation projects. The current order book is to be executed over a period of two years. The order book also includes one captive road project namely Walayar – Vadakkancherry project in the state of Kerala which contributes to 27% of the total order book and BOT projects are there.

We have completed 59% of the work over Walayar – Vadakkancherry BOT toll project. We expect that the project will be commissioned by April 30, 2015 as against the scheduled commercial operation date of November 15.

The total debt on the project is about 2581 million as on June 30, 2014. With this now we can open the floor for question and answer session.

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 Nitin D, who is an individual investor. Please go ahead.

Nitin D: Thank you. Good set of numbers Sir. I have a question regarding the environmental hassles that your projects are facing. Would you please elaborate that there was news regarding some installation of some projects in Kerala, can you please elaborate on that?

K. Jalandhar Reddy: The environmental issue has been now resolved. Earlier we have been ask to stop the quarrying operations in Kerala, but we have represented with NHAI stating that these all are express level projects and involved with huge investments of promoters, so private parties since it is a public private partnership project as a special case they have allowed and extended the permissions up to the coming March 2015.

Nitin D: Thank you so much.

Moderator: Thank you. The next question is from the line of C Chakravarthy from ICICI Ventures Fund Managements. Please go ahead.

C Chakravarthy: I have two very specific queries. One is till sometime back there was some land acquisition related issues with the Kerala BOT project. There was some passage of land that was still to be acquired by NHAI to be given to the company and the second thing is, is there any guidance



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from the management given the 1200 Crores of unexecuted order book, which hardly gives visibility of around 800 or 900 Crores execution during the current year.

- K. Jalandhar Reddy:** Actually first question regarding this Kerala BOT, the land now available with us is near about 98%, as such there is no problem now because everything is resolved and everything is in track that is why we are planning ahead of schedule delivery of this project, which may trigger some bonus to company so as such there is no problem on this Kerala project Sir. Second thing concerned about order book, yes I clearly agree that one and half year visibility is only shown in this, but as of now the tenders rally has not yet started by the new government and we are expecting huge orders to come up in coming two to three months' time. So definitely we are very well geared up to have that order in place and mostly whatever the orders that are coming are in engineering procurement contract, which are cash based fixed contracts only, so we are most interested in those projects rather than BOT toll projects.
- C Chakravarthy:** So the balance 2%, this is amongst one of the better projects where there are only 1% or 2% of land that was not acquired by NHAI compared to couple of projects where we have seen all these 3% of land not being acquired, but this 2% still to be acquired land does it fall in township areas or is it like completely disparate disjointed land?
- K. Jalandhar Reddy:** Actually that small area whichever is coming that is for (inaudible-9.01) in the little urban area only because we need to have drain so that water should go out so that area only, so only that drain length is not available that is accumulating to 2% of the land, and that is also resolved and cheques are paid, only dismantling has to be happening.
- C Chakravarthy:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ankita Bora from B&K Securities. Please go ahead.
- Ankita Bora:** I just have one question. Since we are anticipating an early completion on our capital toll BOT project, so what kind of bonus in terms of early toll collection are we expecting and for how many months?
- K. Jalandhar Reddy:** Actually Madam we are expecting 75% completion by January. So 75% we are allowed to take toll of 75% on the day #1. We issued with the certificate of completion, so the balance 100% will be by April 2015. Almost we can say average about eight to nine months toll collection will be additional than the scheduled project revenues.
- Ankita Bora:** So you mean per eight to nine months, but the scheduled actual COD is September 2015?
- K. Jalandhar Reddy:** November 2015.



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- Ankita Bora:** November 2015. So what kind of amount would come in, in this toll collection, your estimated number, rough number?
- K. Jalandhar Reddy:** Madam actually it is one year back figures I can tell you because today recently we have not done any toll audits, which we have done one year ago the toll audit was around per day 17 lakhs could be a realistic figure to know, that is one year back data.
- Ankita Bora:** The 17 lakhs would be assuming tolling on 100% of the stretch?
- K. Jalandhar Reddy:** Yes.
- Ankita Bora:** Then we will have to bifurcate in 75%.
- K. Jalandhar Reddy:** 75%, yes.
- Ankita Bora:** Thank you so much. That is it from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Manish Valecha from Anand Rathi. Please go ahead.
- Manish Valecha:** Sir in the meanwhile as we get the question queue, just a couple of questions from my side, which other segments are you looking at apart from the road segment? Are we looking at any other things we have a lot of dependence on single segment?
- K. Jalandhar Reddy:** It is a good question sir. Recently we have planned our bids to be placed in metro and Lucknow metro we have done our preparation to bid and in future we are going to bid in metro also and with the same joint venture partner's help we are able to also bid in railway bids. As you know that we are already having expertise in doing earth works and structures, only for the electromechanical thing is not there with us, so we are lined up with Joint Venture Company. Now we are able to bid in these areas also. Another we are also planning our big size ventures in irrigation projects.
- Manish Valecha:** So would that mean you will be compromising on margins to get entry into these segments or you will be continuing to go as your current margin rate?
- K. Jalandhar Reddy:** Actually margins are concerned the margins as it is even today the margins are not available in the projects. We have our strategies by early completion or making the proper planning on the schedules and keeping the cost controls, input materials like whatever we can produce at least we can produce some aggregates and all keeping the aggregate cost in control by owning our own quarries and mining ourselves we are able to however get these sort of margins, so generally the market only leaves out whatever the margins that everybody is getting. So with our additional efforts only we are able to make out little more margins additional, which they would go on continuing. You commit that we may be delivering at 13% to 14% EBITDA level.



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- Manish Valecha:** I will be come back in the question queue Sir.
- Moderator:** Thank you. The next question is from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.
- Subramaniam Yadav:** Just from the visibly front that you said in next couple of months we are likely to get some good orders. So how much would be your bid PAT line currently?
- K. Jalandhar Reddy:** Actually bidding, in this month and coming two months there are tenders in Madhya Pradesh, Meghalaya, Karnataka, Assam, Haryana, Rajasthan, all these areas we have lots of tenders, which have been on the board now and even in Kerala there are projects, Punjab also there are projects, Odisha also there are projects, so these are all now called in coming couple of months these orders are anyhow we are going to quote them and actually apart from this NHAI is going called a few more tenders in coming two to two and half months, which are under their consideration and ministries reviewing their approval part.
- Subramaniam Yadav:** Sir, all these are in roads you are talking about?
- K. Jalandhar Reddy:** Yes Sir. These are all roads only. We are also gearing up to bid in Bangalore metro, which is now due in the coming 30th.
- Subramaniam Yadav:** Sir, in particular in roads only can you put some number to it? How much would be the EBIT pipeline because currently we just have 1000 Crores of orders so not much visibility for FY 2016 per se. So if we can have a particular kind of a number, so that we can work it out?
- K. Jalandhar Reddy:** My target in for the coming this year to have at least 2000 Crores order with us.
- Subramaniam Yadav:** Inflow you mean to say, right?
- K. Jalandhar Reddy:** Yes actually this includes Highways, Metro and Irrigation projects.
- Subramaniam Yadav:** Just a clarification, this 2000 Crores inflow you are talking about or 2000 Crores for order book at the end of the year?
- K. Jalandhar Reddy:** End of the year.
- Subramaniam Yadav:** End of the year means 1000 Crores of inflow for us?
- K. Jalandhar Reddy:** Yes. Actually towards 2000 Crores fresh orders I am looking at. We are targeting to get to that level because we have capability. We have capability to acquire that much right now with our existing setup and everything.
- Subramaniam Yadav:** In metro have you done any JV with any player for the Metro?



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- K. Jalandhar Reddy:** We have a joint venture partner.
- Subramaniam Yadav:** Who is this?
- K. Jalandhar Reddy:** Some Chinese company, I would e-mail the name.
- Subramaniam Yadav:** Sir but would it be for the underground projects, underground tunneling one also or the normal one?
- K. Jalandhar Reddy:** At least they have experience in both.
- Subramaniam Yadav:** Because if we get the underground projects we need to have TBM machine and all so that the capex would be very high.
- K. Jalandhar Reddy:** Yes, if that kind of work is there, then capex would go up.
- Subramaniam Yadav:** Sir how much would be our capex for this year?
- K. Jalandhar Reddy:** Hardly 20 Crores we are expecting.
- Subramaniam Yadav:** Sir margin, because the margin has been kind of fluctuating like this quarter we have made 13% and historically the numbers were much better, so is it the competition again coming in because of that margins are lower or are we getting better margin in the new projects?
- K. Jalandhar Reddy:** No not that correctly. These margins are likely to go up to 14% to 15%. There is no doubt and at the end of the year, we are confident that we can deliver at 15%. So this order also has no hassles, may be because of rains or something we have some issues cropped up, otherwise there is no issue. First two quarters could be little like this and last two quarters will be very good.
- Subramaniam Yadav:** Sir you mentioned the tax thing, I just missed in the initial remarks, the tax of 43.5 Crores you claim for 80IA benefit right?
- K. Jalandhar Reddy:** Yes, yes Sir.
- Subramaniam Yadav:** This is for the EPC work for the others and how much is the deferred tax as such you said which had been increased?
- K. Jalandhar Reddy:** Defer tax is almost 4.64 Crores.
- Subramaniam Yadav:** What is the likely tax rate for this year if you want to take that?
- K. Jalandhar Reddy:** Effective tax for this financial year would be about 10% to 12%.



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- Subramaniam Yadav:** 10% to 12%. Going forward also in FY 2016 also if I have to understand that?
- K. Jalandhar Reddy:** It will depend on the composition of between 80IA and non-80IA projects. This year this is the guidance but next year we have to see again what is the mix and all.
- Subramaniam Yadav:** Sir in terms of other segments like metro, are we also planning for any building kind of a JV or preferring to enter that segment also?
- K. Jalandhar Reddy:** Yes Sir. With our own expertise whatever we can do we are all planning in those sectors now.
- Subramaniam Yadav:** Do we have expertise in those?
- K. Jalandhar Reddy:** We need to have a joint venture partner for this.
- Subramaniam Yadav:** Joint venture?
- K. Jalandhar Reddy:** Yes, (~~unclear-20.04~~) and things will be settled very soon.
- Subramaniam Yadav:** In the building segment you mean to say?
- K. Jalandhar Reddy:** Yes Sir.
- Subramaniam Yadav:** I will just followup with the other question if I have. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Paresh Jain from Maxlife. Please go ahead.
- Paresh Jain:** Sir this 2000 Crores, is this the order inflow or you are talking of the closing order book at the end of the year?
- K. Jalandhar Reddy:** Actually Sir at the end of the year we are targeting to have that much order.
- Paresh Jain:** So 2000 Crores of order inflow is what you are looking at this year?
- K. Jalandhar Reddy:** Yes.
- Paresh Jain:** How much have you done in 1Q?
- K. Jalandhar Reddy:** Q1 only that 80-I order.
- G. Sravan Kumar:** 147 Crores.
- Paresh Jain:** 147 Crores in 1Q.



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K. Jalandhar Reddy: Actually Sir the thing is the new rally after the new government has not been started till now, so that may kick start after two to two and half months.

Paresh Jain: Thank you.

Moderator: Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: Good afternoon Sir. Sir, couple of questions from my side. First on the road space, we do expect that there would be a pickup in project award from the NHAI or the Ministry side. The only worry that we have is and if we look at last one year or even the last quarter's projects which have got awarded the kind of competition that we have seen seems to be pretty high because most bid that we have seen are 20% to 30% lower than even the NHAI has estimated cost, so even if project award do pickup what is the kind of competition and consequently the margins that we expect would be there on those projects and therefore would we be willing to take on projects in the first wave of projects or would we wait till the time the competition stabilizes?

K. Jalandhar Reddy: It is a good question. Actually what happened during all these five to six months, I can assure shortly say that we have been participating in every tender, but however, we are quoting our figures, but the main things you are right that things went 20% lower and all that. This is all because even I can say to some extent the competition has also come down. Every bid earlier when the BOT bids used to be there, we used to bid or receive at least 20 to 25 bids on each bid, but now six to seven bids are being received in EPC contracts and who have all quoted below 20% are all new players that has got eligibility to that size of jobs. So, I think they will cut over their margins and they will feel later that they have done a mistake, but however, I think the big huge rally is getting started in coming two to three months. Definitely these players will not be there; however, if you look at 500 Crores above level there is all sensible bidding only happening and nothing less than estimate we have seen the people are quoting.

Parvez Akhtar: Considering the fact that the financial situation of many of our peers is not that great. Do not you think probably concentrating on BOT projects would be better strategy at this point of time. It may not be better obviously it depends on your outlook on the balance sheet but what we have seen at least over the last two years is that competition for BOT projects is very low. I mean we see barely two to three players bidding for BOT project, so have you ever thought in that direction that probably we can look at BOT projects instead of EPC projects in the medium term?

K. Jalandhar Reddy: Actually the BOT bids, it is not that we have totally put up bids on that. We are also having our views. If a project is taken it should be good return making project. So definitely we will be concentrating if at all any jobs that are coming, which can give us very good returns and we will be definitely bidding on them.

Parvez Akhtar: Sir, in railways and the metro space that we are planning to bid for what is the kind of scope of work that we are targeting? Will it be more towards the building space like building of the



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elevated or maybe underground stations or will it be more to do with the structural work like wire ducts etc.?

K. Jalandhar Reddy: Actually both are on even some bids they are asking underground bids also, but we are more concentrating on elevated things only. (inaudible-25.40) and elevated we are more confident in them because as you know huge capex needs to be added if you go underground and all; however, if at all very good margin definitely we are hoping to go into that also.

Parvez Akhtar: Thanks a lot.

Moderator: Thank you. The next question is from the line of Samarth Sanghavi from Philip Capital. Please go ahead.

Samarth Sanghavi: Good afternoon Sir. Sir, just wanted to ask is these JVs that we have entered in railways and metro what would be our percentage. Would it be a 50:50 JV or would it be something else?

K. Jalandhar Reddy: Actually we have made an arrangement that we will be doing the entire work and we pay them some lease fees assets.

Samarth Sanghavi: They will provide us with the leased...?

K. Jalandhar Reddy: As a lease fees they will be taking and they will keep quiet. We will be heading the entire thing.

Samarth Sanghavi: Broadly, what would be the share then of the joint venture partner?

K. Jalandhar Reddy: 51% to 49% share kind of thing will be there, but entire again 40% legal supply can be done. So that is again coming as a total as a joint venture partner I am taking the contract from the JV agency and doing it, in some 2% nominal margins to the lead supporter.

Samarth Sanghavi: The partners would be different from the railways and the metro?

K. Jalandhar Reddy: Both are the same Chinese company only.

Samarth Sanghavi: Same Chinese company?

K. Jalandhar Reddy: Yes.

Samarth Sanghavi: Sir other question is that you did mention that you would take 2000 Crores worth of fresh orders this year. I wanted to understand Sir, what is the total amount of projects that we are bidding for and if we could get some kind of a hit rate that we have had in the past? Because you mentioned that you had been bidding for Madhya Pradesh and Kerala etc., several states so what is the total amount of projects that we have actually bid for or are planning to bid for?



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- K. Jalandhar Reddy:** Now actually this two months I am only have a record of these two months. Since the entire thing is near about 11000 Crores I think.
- Samarth Sanghavi:** You bid for 11000 Crores worth of projects?
- K. Jalandhar Reddy:** This coming two months only.
- Samarth Sanghavi:** In the coming two months?
- K. Jalandhar Reddy:** Yes, but I think any other even they can call in coming weeks also they will add some more if at all, but those list is not with me.
- Samarth Sanghavi:** What kind of a hit rate do we expect in terms of our bidding?
- K. Jalandhar Reddy:** Generally Sir, I always expect to have a 5% success rate at least in EPC contracts since many of them are EPC, so definitely I expect to have 3% to 5% order with me.
- Samarth Sanghavi:** Sir, the other question is broadly more from a macro perspective. We have seen the time when in the past there have been aggressive bidding and one of the participants did mention before that there has been aggressive bidding even right now, but how are you seeing things on the ground and have we witnessed that there is competitive bidding or there is aggressive price cutting and how is NHAI viewing kind of is there more ease in terms of doing projects right now? How is your sense on the ground been?
- K. Jalandhar Reddy:** I have seen the record for the past five months or six months, we have been observing that the bidders have come down, the number of bidders have come down on each bid. Earlier when BOTs used to be there, at least 22 to 25 people or 30 even 35 bids we have seen on the bidding, but here six to eight people at most 10 people are coming and the difference between L1 and L2 is much higher. One quotes less than 20% some quotes less than 8% and someone is above 20% or 15%. So we have observed who are quoting is less. We almost observe that new, new players if someone has got an eligibility to bid on 300 Crores job instead of coming and putting his bid at 20% to 25% lower and maybe I expect if he properly calculate the scope of the project cost definitely the cost goes up, which he may not be acquainted with this set of lump sum EPC contract. These are turnkey basis contracts, so I think those people do not have the experience and they have quoted and taken the projects, and once they realize that they have done the mistake, definitely I think they will also not quote back such nasty figures we can say.
- Samarth Sanghavi:** In terms of how has the NHAI? Has there been an increase in terms of the number of road projects that are going to be now going to be put on the block for bidding?
- K. Jalandhar Reddy:** Yes Sir. We have seen a lot of movement in NHAI. Last week when I was there in NHAI, Delhi, I have been observing Karnataka is planning to put out almost five to six bids in the coming two months.



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Samarth Sanghavi: Karnataka, five to six?

K. Jalandhar Reddy: Yes, this has been in some places only. I cannot go to everybody and see everything, but it is only that happening, what is happening the movement has started and Assam almost today, I can see almost five bids are there in the coming two months, this month and next month, I would say coming two months that is there. Karnataka also already bided almost two projects are there, Rajasthan also has three projects are there, Madhya Pradesh also three projects are there in this bid and Andhra Pradesh also I have spoken to the GM Andhra Pradesh in Delhi, he is also planning six to seven projects to be bid out. So, actually I think after election, rally which is there, that will only start after two to two and a half months, because Ministry of Road Transport and everything they are planning in a way they want to head towards building 30 km per day, completed lane, which is promised by the Minister of Gadkari. He wants to invest in the coming two years 200,000 Crores on infrastructure itself. So definitely we are hopefully to have a good marketing in the coming days.

Samarth Sanghavi: Basically we would see a good order book inflow by Q2 or Q3 this year?

K. Jalandhar Reddy: Yes Sir.

Samarth Sanghavi: Thank you so much and all the best.

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

Navin Jain: Good afternoon Sir. Sir my question is a followup to the point you were making on NHAI looking to award many projects probably over the next three months. I was just wondering what is the kind of preparation or the ground work that the NHAI is doing in this interim period because obviously there has been some lull in the past six months or one year when NHAI has not really awarded many projects, so what is the kind of be it on the land acquisition side or any other aspects that NHAI is looking if you can throw some light on that? Do you think that is really going to help when it comes to executing these projects?

K. Jalandhar Reddy: At least before put on the bid they want to have at least 80% land to be made available before they go on to the bid that what the ministry guidelines given to the NHAI, so NHAI with its regional officers and project implementation officers, they have been exclusively working on this land acquisition but however, progress of it what happened to the progress and how much they could succeed on it that results are yet to be known. I do not have the details right now with me, but however, I can provide a mail to you when I get the details. Main thing is that at least if they are contracting even 80% if the 60% land is there for EPC that is quite enough to kick start and in one year we will get breakeven within one year they can acquire and we will be very happy to go with those projects.



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- Navin Jain:** Sir, also given the fact that there are so many projects which are somewhat in the preparation stage right now so do you expect a steady flow projects over the next six months or one year or do you see a sort of a flux all the projects coming together at the same time too many projects available and you can sort of cherry pick the right projects. Do you visualize that kind of scenario or is it like going to be steady flow projects over the next one year or two years?
- K. Jalandhar Reddy:** Actually what is going to happen, what I am envisaging is that it is not the project will come and all that but the number of bids, what it was having earlier is that we had hardly two bids, one bid in a month, but that number will improve and definitely preferably it is going to get handfull of orders in the coming one year. That much is guaranteed.
- Navin Jain:** So it will be better than what we saw let us say somewhere in 2010-2011 or so?
- K. Jalandhar Reddy:** Yes. It should be better because 30 km per day target means I think Indian builders put together they have to achieve the target. So definitely they have to gear up giving out bids and all that.
- Navin Jain:** Sir another thing again similarly, so NHAI side we keep on hearing lot of preparation being down and lot of projects are expected to be awarded. Interestingly you also mentioned about these states, a lot of state governments are looking to kind of step up the awarding activity, so do you also see a similar sort of a situation in the state level also similar to what is happening in NHAI where a lot of projects are under preparation and suddenly over the course of next six months or one year we will see a lot of awarding happening there?
- K. Jalandhar Reddy:** Yes Sir. It is even happening.
- Navin Jain:** Sir, what I am trying to understand is that is it like a normal course of awarding that we have been seeing over the course of last one year to two years or is it like something extra push that you are witnessing or you are expecting to see on the state side also?
- K. Jalandhar Reddy:** State side also there is a huge movement, I have been observing Sir. Recently Tamil Nadu is going to get almost 18000 Crores from ABB or World Bank put together. They are planning out to bid in the coming three to four months and something I heard about Rajasthan also and Bihar. Bihar is also coming up with good setup tenders and UP has already we have been observing almost (~~unclear-38.10~~) and there is a huge scheme and there are also projects turnover projects coming from UP also.
- Navin Jain:** Sir, from our perspective like KNR perspective so would we be willing to spread ourselves to various parts of the country when these opportunities come up or are we looking to focus on certain areas of our competence?
- K. Jalandhar Reddy:** We have been observing even we are doing our tendering in Assam, Odisha, and all other places and we have successfully completed projects in Assam, Odisha, and the difficult part is Kerala



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we are also doing nicely performing also there, so definitely I think we are foraying in almost all the places in India.

Navin Jain: Finally in terms of projects size that we would be interested in let us say on the EPC side from NHAI what is the kind of size that you expect that NHAI will come up for EPC projects and what would be individually standalone how much or up to what size we can bid for EPC contracts?

K. Jalandhar Reddy: Actually, I assume that Karnataka recently we are looking at the Karnataka bid they were all 600 above and near to 1100, 600 to 1100 the ticket size was there in Karnataka projects. AP also I have seen near about couple of projects of 350 and they are moving up to 720. So ticket size is different Sir, but which bid is going to be hit by you that is more important and we will try our more trust on getting a bigger size project so that we can deploy our full capex and does a good considerable job.

Navin Jain: So generally we are going to bid for these NHAI projects alone or are we going to tie up with some other players also?

K. Jalandhar Reddy: Actually wherever I am qualifying myself I am going alone and I need a partner for some reason or the other, I will be taking partnership. Recently we have done some joint venture with Sadbhav Engineering also.

Navin Jain: So, up till what size we prequalify ourselves?

K. Jalandhar Reddy: Actually I think near about 1300 to 1400 Crores we should be qualifying, but in some projects it depends on some different criteria, if there is some tunneling involved in all then special type of experience they would ask then we would be needing the join with partners otherwise definitely we will be 1300 to 1400 we will be qualified.

Navin Jain: Thanks for taking my question.

Moderator: Thank you Sir. The next question is from the line of Karthik C from IDEN Advisors. Please go ahead.

Karthik C: I just wanted to know the breakup of the order, which we currently have and is that what we expect?

K. Jalandhar Reddy: Breakup on the order would be almost 95% is on highways only, 56% is on irrigation, but if you look at the current scenario, but it may differ with the coming orders.

Karthik C: So what we expect on this railways and metros?



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- K. Jalandhar Reddy:** Railways and metros that definitely I think railways we want to have 20% to 25% of our portfolio orders should be from railways kind of thing. It may differ 5% to 10% here and there. Most thing is that highways are coming in a large way, so that is why I am saying rather in confident more or other sectors rather we are confident more in highways where your expertise is straightaway laying lines and you do not need partners help there.
- Karthik C:** Sir what would be your core strength to get this order is going ahead like for roads or railways?
- K. Jalandhar Reddy:** I did not get you there?
- Karthik C:** Our core strength that should differentiate us to get the orders?
- K. Jalandhar Reddy:** Core strength is our execution abilities and mainly we are scheduled to complete many projects before in time and we for actually winning the order in the market you will be having the lowest is only the criteria, whatever you do and there is certain flexibility on bidding my project is that okay, I can consider with my own strategies of execution and all we will try to complete early, early completion would give me 1% to 2% leverage, which I can directly pass on to the bid, so I would get the bid and I end up with the same margins what I get. Execution skills however, if you speak with we are one among the best contractors or contract players in the industry today.
- Karthik C:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Anirban Ray from Tata AIA. Please go ahead.
- Anirban Ray:** Thank you Sir. Couple of questions; one is what is your revenue guidance if any for this year?
- K. Jalandhar Reddy:** This year if there are no orders definitely we are confident of getting about 800 to 850 at the topline.
- Anirban Ray:** Based on your current order book?
- K. Jalandhar Reddy:** Yes current orders. If anything is added in the coming two to three months, definitely we are going to do better.
- Anirban Ray:** Sir, one more question. There was this Nellore road order, which you had earlier declared as L1, has that been translated into a firm order now?
- K. Jalandhar Reddy:** Yes Sir. It is now a firm order. We will be starting the project also now.
- Anirban Ray:** Last question could you give us a bit of the details of your working capital position right now?
- G. Sravan Kumar:** Number of days you are asking?



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- Anirban Ray:** Yes please.
- G. Sravan Kumar:** It is about 35 days which has come down, working capital days.
- Anirban Ray:** 35 days.
- G. Sravan Kumar:** If you see receivable days it has come down to 45 days to 46 days. Creditor days are about 16 days to 17 days and inventory also not much. So effectively 35 days it is coming to, the working capital days.
- Anirban Ray:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Subramaniam Yadav from Subkham Ventures. Please go ahead.
- Subramaniam Yadav:** Sir the depreciation would be repeated at this level only, 15.5 Crores?
- K. Jalandhar Reddy:** Yes. Whatever is there in the first quarter it will continue.
- Subramaniam Yadav:** Sir, if you can give me the gross debt and cash figure.
- G. Sravan Kumar:** Debt is about 69 Crores now standalone.
- Subramaniam Yadav:** Cash?
- G. Sravan Kumar:** Cash is about 12 Crores.
- Subramaniam Yadav:** If possible Sir, if you can give me the receivables absolute amount?
- G. Sravan Kumar:** Receivables absolute amount is 84 Crores.
- Subramaniam Yadav:** Inventory?
- G. Sravan Kumar:** Inventory is about 37 Crores.
- Subramaniam Yadav:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Navin Jain from JM Financial. Please go ahead.
- Navin Jain:** Just a followup question. Again on the working capital side, when I look at your last reported balance sheet between FY 2014 results the loans and advances figure and other current assets figure is fairly high. So, what would this pertain to? Is there anything which is related to the investment in our BOT projects?



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- K. Jalandhar Reddy:** Investment in BOT it will not be there. It will be a noncurrent account, because it is nothing but Quasi it will be, which will not be drawn during the current year of the loan. It will be shown under noncurrent assets.
- Navin Jain:** What is that amount?
- K. Jalandhar Reddy:** Now it is coming to almost 170 Crores totally.
- Navin Jain:** Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Manish Valecha from Anand Rathi for his closing comments.
- Manish Valecha:** We would like to thank the management of KNR Construction for taking out time for this call and allowing us to host this call. Thank you Sir. We also like to thank all the participants. Sir, would you like to add few closing comments?
- K. Jalandhar Reddy:** Thank you very much. Thank you everyone for participating in our Q1 FY 2015 earning call. We have uploaded the presentation on our company website. In case further queries you may get in touch with strategic growth advisors or investor relation advisors. Feel free to contact us. Thank you very much for your participation.
- Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of Anand Rathi Share and Stockbrokers that concludes this conference. Thank you for joining us. You may now disconnect your lines.