



**KNR Constructions Limited.**

Date: 18<sup>th</sup> June 2018

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To  
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BSE Limited  
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Sir,

Sub: - Transcript of Conference Call Q4 FY 18 & FY 18

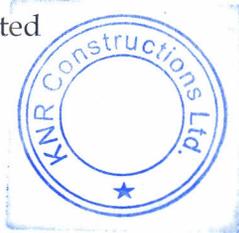
Ref: - Listing Regulations  
BSE Code: 532942, NSE Symbol: KNRCON

With reference to the above please find attached the Earnings Call Transcript for the Q4 FY 18 and FY 18, this for your information and records.

Yours truly,  
for KNR Constructions Limited

*M. Venkata Rao*

M. V. VENKATA RAO  
Company Secretary





# “KNR Constructions Limited Q4 FY18 Earnings Conference Call”

**May 31, 2018**



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

**Moderator:** Ladies and gentlemen, good day and welcome to the KNR Constructions Limited Q4 FY18 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. S. Vaikuntanathan – VP (Finance), KNR Constructions Limited. Thank you and over to you, sir.

**S. Vaikuntanathan:** Good afternoon, friends. I welcome you all on our earnings call for the quarter and full year ended 31<sup>st</sup> March 2018. Along with me I have Mr. K. Venkatram Rao - General Manager (Finance & Accounts) and Strategic Growth Advisors and our Investor Relations Advisors. I will start with a brief on the key updates on the industry then we will discuss the company’s performance.

The road ministry has recorded highest ever awarding of 17,055 kilometer in financial year 2018 which grew by 7% over financial year 2017 out of which NHAI has awarded 7,396 kilometer in financial year 2018 a growth of 72% over financial year 2017 and MORTH has awarded 9,659 kilometers in financial year 2018, a drop of 17% over financial year 2017.

Out of the total awarded projects worth Rs. 1,220 billion by NHAI in financial year 2018 Rs. 765 billion has been awarded on HAM mode which is 63%, Rs. 427 billion on EPC mode which is 35% and remaining on BOT mode which is 2%.

The awarding of contracts leads by HAM and toll-operate-transfer models is expected to continue given the announcement and subsequent implementation of Bharatmala project.

Road constructions touched a high of 9,829 kilometer in financial year 2018 indicating a growth of 19% over financial year 2017. Out of which NHAI has constructed 3,071 kilometer a growth of 17% over financial year 2017. And MORTH has constructed 6,758 kilometer a growth of 21% over financial year 2017. Delegation of powers to NHAI, employment of retired officials for Land Acquisition and strong monitoring at NHAI level has led to improvement in execution. The road transport and highways ministry has fixed a target of awarding works for around 20,000 kilometers length of National highways during the current year 2018-2019. This is about 25% more than the 17,055 kilometers awarded during 2017-2018.

NHAI Chairman has guided for 8,000 kilometer for financial year 2019. With the governments massive plan to build approximately 84,000 kilometers of road in the next 5 years we believe the project awarding would maintain the momentum. Bids for 232 projects of 11,200 kilometer worth 2 lakh crores have already been invited.

The construction target for 2018-2019 has been set as 16,420 kilometer per day. Construction target which has been set as 45 kilometer for the current year against the last year of about 27 kilometer per day.

NHAI is targeting construction of 4,000 kilometer in financial year 2019. NHAI is estimated to have incurred expenditure of Rs. 280 billion in financial year 2018 as against 180 billion in financial year 2017 on land acquisition which remains the major hindrance for execution.

As a target for awarding and construction of highways is set, the government is now concentrating on funding these projects. In addition to funds allocation under union budget for highways development NHAI has also opened up a new option of fundraising through ToT model.

Now, coming to KNR Construction Limited, update on BOT projects. As you are aware, our 100% owned Walayar-Vadakkancherry project has started 100% toll collection and the current average toll collection is Rs. 16 lakhs per day. We are witnessing an improved toll collection on this stretch. The current toll collection is sufficient for principal repayment, interest payment and O&M payments.

In respect of project in Bihar that is Muzaffarpur-Barauni project, we have received 100% PCOD and currently we are collecting average toll of 16 lakhs per day based on 100% PCOD. In this project, we hold 51% equity stake and have invested 88 crores. The total collection has been improving on a consistent basis.

Order book details. We have recently won 5 HAM projects with the total bid project cost of Rs. 5,611 crores. Financial closure for 4 HAM projects are in progress currently and one HAM project LOI is received just now. The total equity requirement for these projects will be approximately around Rs. 440 crores and various options are being worked out and debt funding be approximately Rs. 1,765 crores in all the above projects. The EPC value of these projects put together will be Rs. 3,975 crores. Apart from these 5 HAM projects our order book as on 31<sup>st</sup> March is Rs.2,326 crores consisting of road 71%, irrigation 29% and which is mainly from NHAI which is 54% and state project is 46%. To improve our execution outlook further we continue to bid for projects and exports expect to win projects worth around Rs.2,500 crores in the next 12 months.

Now, I would request Mr. K. Venkatram Rao, our GM to present the results for the quarter and full year ended March 31<sup>st</sup> 2018. Over to you, Mr. Venkatram Rao.

**Venkatram Rao:**

Thank you. I believe you have had an opportunity to see our results and the presentation that we have circulated and uploaded in our website. I would now present the results for the quarter ended 31<sup>st</sup> March 2018. The total revenue on a standalone basis is Rs.624.37crores in Q4 FY18 as against Rs. 482.10 crores during the same period in the last financial year, a growth of 30%. Our standalone EBITDA for the Q4 FY18 has been grown by 67% to Rs. 120.73 crores with

margin of at 19.3%. The growth in EBITDA is led by some unbilled quantity in projects like Yedula, Thiruvananthapuram and Madurai in which has been substantial portion has been completed. That has yielding to higher margin. The standalone profit before tax grew by approximately 68% to Rs. 81.11 crores in Q4 FY18 as compared to Rs. 48.30 crores in the Q4 FY17. The standalone profit after tax for Q4 FY18 is Rs. 79.74 crores with a margin of 12.8%.

Moving to the results for the full year ended 31<sup>st</sup> March 2018. The revenue on standalone basis is Rs. 1,931.65 crores in the FY18 as against Rs. 1,541.05 crores during the same period in the last financial year, a growth of 25%. The total revenue FY18 includes Rs. 16.8 crores from the claims received by the two joint venture company. Our standalone EBITDA for FY18 at Rs. 386.13 crores as compared to Rs. 229.58 crores in FY17. The EBITDA margin for the FY18 is stand at 20%. The standalone profit before tax grew by approximately 64% to Rs. 268.15 crores in FY18 as compared to Rs. 163.22 crores in FY17. The standalone profit after tax grew by approximately 73% to Rs. 272.09 crores in FY18 as compared to Rs. 157.25 crores in FY17. Now, I will discuss the few numbers in the balance sheet. As on 31<sup>st</sup> March 2018, the debt on the standalone basis is Rs. 220.39 crores including promoters loan of Rs. 211.85 crores and the net working capital days is 40 days.

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

**Moderator:** Thank you, very much. We will now begin the question and answer session. The first question is from the line of Ashutosh Gunye from AG Consultant. Please go ahead.

**Ashutosh Gunye:** I had 3 questions, sir on the financials. First one was when I looked at the tax rate I think the company is going with roughly 20% tax rate as against the normal tax rate. So, if you can explain the difference. My second question is we have been in the CP market off late. So, how is that CP is beneficial to the company as against the normal borrowing that we were doing and is there a sort of financial guarantee which is being taken when we go for this sort of borrowing. My third question is in relation to HAM project where we have already won close to Rs.5,000 crores projects. What is the sort of strategy that company is looking at going forward and what is the hurdle rate or project IRR in specific that we are looking at?

**Venkatram Rao:** Sir, in respect of that tax we would like to tell that we are paying MAT tax. As per income tax act the project which have commenced after 2017, benefit under section 80IA is not there but all our projects that we have received are before 31<sup>st</sup> March 2017. So, we still get 80IA benefit on those project and last year we have only one irrigation project that we have got were 80IA is not there. Otherwise whatever existing order book is there almost 95% of the project which we can get 80IA So, that is why we are paying the MAT tax and rate is around 20%.

**S. Vaikuntanathan:** Sir, regarding the CP we are not into the CP market. We have availed CP only once for test basis and to get the ratings, we got it for Rs.15 crores from HDFC bank at 6.75% last year and we do not intent to go for it now. So, we have got other plans and we are not even utilizing our cash credit fully because our cash generation by raising the bill is very fast, every month bills

are being raised and payments are being received. So, we don't feel the need to raise such funding. And third coming to this HAM projects, yes we have got 5 HAM projects out of that concession agreements have been signed for 4 projects and we have already discussed with the banks where they have extended the draft term sheets which is under negotiation. Meanwhile, we are also exploring various options, one of the options for the company is to not keep the projects with the company, we want to do the EPC and then give it off. So that at least our funds will not get blocked. The negotiations are going on with some parties and they are doing their due diligence. We may get the results in 15-20 days. And once we get the results then our equity contribution may not hold for long and we may put only 51% equity which we may get back after COD plus 2 years. So, that is the model in which we are planning. So, all actions are being explored, otherwise also the company is having adequate funds for equity.

**Ashutosh Gunye:** And lastly sir, Rs. 5,000 crores HAM projects which we have received but order book we are saying is only 2,300. So, are we not including this HAM project?

**S. Vaikuntanathan:** There are two things. One is, we have to enter the EPC agreement and number two we have to get the financial closure. The Term Sheets have to be approved by the banks and us. Once that happens and the EPC agreement is signed then it will be added.

**Ashutosh Gunye:** So, it is excluding that HAM project?

**S. Vaikuntanathan:** Yes.

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

**Ravi Naredi:** Sir, difference between consolidated and standalone results are basically Rs.40 crores is interest. Is it right? Because standalone net profit is more consolidated net profit is less.

**Venkatram Rao:** Basically due to the finance cost.

**Ravi Naredi:** Finance cost that is interest. So, what is going on the debt? Two projects we have already sold but execution has not been done and how much claim we received from two joint ventures?

**S. Vaikuntanathan:** No, see now we have not sold any projects. We have got 2 annuity projects in which our stake is 40%. And 2 BOT projects, one we have got 100% stake and in another BOT projects we have got 51% stake. Originally, these 2 annuity projects we have already preferred a claim of around Rs.375 crores approximately and the claim process is in advance stages may be in the next 1 to 1.5 years we may get the award also. So, going forward we thought that let us have the claims settled first because to whomever we sell the project, if they do not undertake proper maintenance and other things, NHAI may withhold the claim. So, taking those into consideration since the claims are very near we thought of waiting. And with regards to the claims and arbitration which you are asking, KNRCL as a whole we have got totally preferred

Rs.840 crores claims with different agencies including NHAI across various stages. So, some award has come, some award has yet to come and all. With regards to the BOT projects we are looking for various options to monetize maybe at the right value.

**Ravi Naredi:** So, when it will happen?

**S. Vaikuntanathan:** Two things. One is this Bihar project the COD has just come in. We may have to wait for the toll history to stabilize. So, we are just waiting for that and in the case of Walayar, the toll collections has to still improve because the promoters has brought in sub-debt. So, the other adjacent package is yet to be completed. So, once it is completed then the toll traffic will substantially increase. Then our value may also go up. That is why we are waiting for that.

**Ravi Naredi:** And how much CAPEX in the next 1 to 2 year?

**Venkatram Rao:** Next year 2018-2019 will be around Rs.100 crores to Rs.120 crores.

**Ravi Naredi:** And how much topline you are expecting in current year?

**S. Vaikuntanathan:** On a conservative basis, we are expecting around Rs. 2,000 crores in FY19. The Financial closure of all the 4 HAM projects is going on and maybe by quarter three it will take off. Revenues in these HAM projects will start to pick up from quarter four onwards. That is why we feel Rs. 2,000 Crores should be a reasonable figure.

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

**Faisal Z:** My first question is this, HAM financing in the partnering firm where you said that we will also transfer our equity to the partner in 2-year time? What is the IRR they are expecting and how sure you are or that this will go through because lot of concern about the market is on HAM financing will go through most of these construction companies? Second part of the question is that in the last 10 years our debt has increased much more than our cash flows have increased. So, even after capital expenditure and interest payments, we have had cash deficit of almost Rs.249 crores. So and plus still we end up paying dividends also. So, how do we feel that we can control that going further because now you will need equity for you HAM projects also plus you will need funds for CAPEX? And third is how will we handle the triple whammy of crude prices going up, even the steel and cement prices consequently going up and also we may have interest rates going up. So, this is like all 3-4 things happening together and plus you have this bulging order book now?

**S. Vaikuntanathan:** When we have tendered all these factors are being also taken into account in the form contingencies and other things. And with regard to your questions of the partnering and other thing, sir the due diligence is in process, number one and then we are a listed company we have to intimate the exchanges also. So, I think we have to wait for another 15 to 20 days. By

the time things will get the clearer picture then we will officially announce to the market, if it clicks.

**Faisal Z:** So, is it that just 1 person that we are talking to, or there are various people? And is it a bank or is it a large ...

**S. Vaikuntanathan:** See, now the strategy always should be to with 1 person because if you talk to so many people you do not know which direction you are going. So, we have wait until the due diligence is over, we will wait for another 15 days.

**Faisal Z:** Maximum one month?

**S. Vaikuntanathan:** Yes.

**Faisal Z:** The debt after interest payments and all the debt has risen in the past 10 year almost by Rs.250 crores more than whatever cash flows have been and that is causing ...

**S. Vaikuntanathan:** No, in the parent company you mean to say?

**Faisal Z:** Yes, I am talking about consolidated.

**S. Vaikuntanathan:** In parent company, we already informed the debt is 1 year to the extent of around Rs.230 crores. Out of that major portion has come from promoter by selling his stake. So, we wanted to reduce the term loan debt of one of the BOT projects where we own 100% . And excepting that the other debt in the parent company is only Rs.8 crores which is the term-debt, the equipment finance. And coming to this SPV, SPV has got its own term loan as approved and sanctioned by the lenders. In the case of Bihar it is Rs.318 crores and in the case of Walayar it is around Rs.195 crores.

**Moderator:** Thank you. The next question is from the line of Gurpreet Arora from Quest Investments. Please go ahead.

**Gurpreet Arora:** Sir, if you could highlight what is our bid pipeline currently and how many more BOT HAM projects are we bidding for? And how many more BOT projects are we comfortable to secure?

**S. Vaikuntanathan:** So, now we want to first to do the financial closure of all the existing projects. And internally it is being planned that once the 40%-50% work is completed we will come to know of our standings in the execution of HAM projects then we will decide. Lot of projects are coming, and we will bid for selected projects. We will wait for the financial closure and commencement of the work. **Gurpreet Arora:** So, are you implying that today you are not bidding for any BOT HAM projects and for next two years?

**S. Vaikuntanathan:** EPC, we are bidding. Not HAM projects.

- Gurpreet Arora:** So, what is the bidding pipeline in EPC currently?
- S. Vaikuntanathan:** EPC at present very few are there maybe 2-3. Not to a very great extent but we expect that maybe from the next quarter it should pick up because this quarter NHAI is concentrating on completing all the construction agreements. They have awarded almost 80 projects. So, all the projects one by one they are completing the concession agreements. So, I think the order bidding will pick up from the next quarter both the EPC and HAM.
- Gurpreet Arora:** And in terms of irrigation if you can highlight the pipeline or upcoming bids where we are keen to participate?
- S. Vaikuntanathan:** No, sir nothing, we want first complete the existing projects. We want to wait for some time.
- Gurpreet Arora:** And I miss the claims receive part highlighted by Mr. Venkat Rs.16.58 crores, if you can highlight that? And if you can confirm is that the total claims which you have received for the year and if any early completion bonus we received for the year?
- S. Vaikuntanathan:** That is only claims we have received. That we have received in the Q1 itself actually.
- Gurpreet Arora:** And have we received any early completion bonus for the year?
- Management:** No.
- Gurpreet Arora:** My last question is on the work force. With these Rs.5,000 crores mega projects in hand what sort of work force additions are you looking for next 1 or 2 years?
- S. Vaikuntanathan:** That assessment is being made because some of the projects were getting completed like Madurai, Trivandrum and other areas we are completing. So shifting of manpower is now taking place. So, once we get to know of the actual procurement then we will go ahead with that.
- Gurpreet Arora:** So, as your ticket sizes are moving up and as the number of sites are reducing. So, is it fair to assume that the employee intake would be limited?
- S. Vaikuntanathan:** Yes, we want to do that. So that we can do a cost cutting exercise by shifting the employees from one site to other site.
- Gurpreet Arora:** And my last related question on this is. I noticed the, in terms of the employee breakup the site engineers have reduced by around 22 odd I think they are 200 today versus in March 2017 at around 225 levels. Any specific reason for that?
- S. Vaikuntanathan:** No, some projects are now getting completed and some people have opted not to move to the other site. Otherwise, we will be substituting those people with other workers.

- Moderator:** Thank you. The next question is from the line of Kunal Bhandari from HDFC Securities. Please go ahead.
- Kunal Bhandari:** Sir, I just want to confirm from you what sort of margins are you looking at going forward in FY19-2020 because currently FY18 we had substantially high margins?
- S. Vaikuntanathan:** Yes, we also explained that the substantial margin is because some of the projects are getting near completion where the unbilled quantities have been billed, and also the claims we have received. But overall average, we try to look at only 13.5% to 14.5% EBITDA level.
- Kunal Bhandari:** And this includes even the new HAM projects which will kick in from second half or last quarter? Even they would have a similar margin profile?
- S. Vaikuntanathan:** Yes, exactly.
- Kunal Bhandari:** And one thing, are you facing any land acquisition problems in your HAM projects or are they fairly in advanced stages?
- S. Vaikuntanathan:** No, as far as HAM is concerned, it is very clear that unless 80% of the right of way is available, the appointed day will not be given. And we look if 80% of 3H is being done i.e. the final payment also should have been released. So, since we have just taken the projects and we are now continuously monitoring and taking up with the department for completing that. By the time the financial closure is being completed, the right of way as stipulated originally in the agreement and all is fulfilled. So, that we can go ahead and take the appointed day. So, another 4 to 4.5 months time is available for completing this.
- Kunal Bhandari:** But you do not foresee any issues like delays on that part?
- S. Vaikuntanathan:** No, as the original letters which we have taken from them they have already issued the 3G and other thing but we are now insisting them to know they should also 3H.
- Kunal Bhandari:** So, I have just one last question, if I can squeeze in. What would be your MAT credit available with you which you can set off in future years when you move on to normal tax rates?
- Venkatram Rao:** It is around Rs. 75 crores as of March 2018.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, wanted order book for some of the projects which are not in presentation, Arcot Villupuram then Rasipuram, Kanchipuram?
- Venkatram Rao:** For Villupuram order book is Rs. 68 crores, for Rasipuram it is Rs.12 crores and for Kanchipuram it is just Rs.2 crores.

- Shravan Shah:** And in terms of irrigation Yedula would be now how much pending?
- Venkatram Rao:** Yedula is Rs.62 crores, KP Sagar Rs.438 crores.
- Shravan Shah:** And sir, we were saying that we will remove the GST component from the order book. So, the order book right now is excluding GST or still it is including GST and also the Bangladesh order is in the order book or have you remove that?
- Venkatram Rao:** That Bangladesh order book we have removed and whatever order book is there. That is excluding GST.
- Shravan Shah:** And the main thing is last when we visit a site we Reddy sir were giving a confidence that because of the HAM projects we can have a 15%-16% margins. But now you are saying 13.5% to 14%. So, can I interpret in the way that this is much conservative number?
- S. Vaikuntanathan:** Yes, you can see, you can take it as a much conservative number
- Moderator:** Thank you. The next question is from the line of Viral Shah from Emkay Global. Please go ahead.
- Viral Shah:** Sir, in terms of toll rates when we look at when we had achieved a partial COD of 100% in Barauni, the project in Bihar. The last quarter the run rate was around Rs.13.4 lakhs and you said that this is around Rs.16 lakhs per day, right?
- S. Vaikuntanathan:** Yes.
- Viral Shah:** So, basically that is mainly because of your traffic growth out there or ...
- S. Vaikuntanathan:** See, they have now closed Gandhi Sethu bridge. So, all the traffic should be diverted now fully. It should be on the upward trend now.
- Viral Shah:** And what will the traffic growth number there for the project as a whole?
- S. Vaikuntanathan:** See, the traffic may get diverted for around 2 to 2.5 years. Then 10% to 15% you can assume.
- Viral Shah:** The traffic growth number, right?
- S. Vaikuntanathan:** Yes.
- Viral Shah:** And do we have any toll rate hike for the month of April?
- Venkatram Rao:** It was there but very marginal

- Viral Shah:** And last question, our order book includes the recently one irrigation project, right? The Telangana one?
- Venkatram Rao:** Yes, includes.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.
- Nitin Arora:** Sir, last time when we had a word, you said there are few orders which were slow moving of the total order backlog. Has it started to move now?
- S. Vaikuntanathan:** No, at that time we were telling that Bangladesh was slow. But now it is picking up slowly and then one irrigation project is a very old one which is very slowly moving because some land acquisition problem was there. But that is not affecting too much. But otherwise all the road and other projects, the existing projects are moving fast.
- Nitin Arora:** If I have to draw a quantum out of it? What is the total quantum which as per use a little more slow moving? So, I am saying if you remove the HAM projects of the total order backlog.
- Venkatram Rao:** Out of order actually 2,300 crores almost around Rs.500 crores to Rs.600 crores is slow moving.
- Nitin Arora:** When you define it as slow moving still you recognizing the billing from there or as you like completely stuck?
- Management:** No, like in Madurai and Thiruvananthapuram because this Madurai project almost we have completed the substantial. Now some part is still pending. In this quarter we recognize turnover of around Rs.55 crores actually. What we are telling slow moving means it is not as per our expectation. But we are billing them.
- Nitin Arora:** My just last question is, when we talk about the EBITDA margin, you said Rs.16 crores was the claim for the year. Or they have been some closure cost, I mean it is a closure cost when you end the project and there would be some provision which you take a right back because of the provision you created earlier. If I have a draw a number to it or let us say if I put it other way what is the core EBITDA margin of the EPC seeing exclude the claims and the closure cost element out of a total EBITDA? So, what sort of sustainable EBITDA margin you did in this year, FY18?
- S. Vaikuntanathan:** So, you can very well take it only 14%-14.5%. Because it can move in 2 ways. Suppose, when we say that the unbilled also is there when we are billing and where at that times it may come in the contra also. So taking all those things into account 14.5% is quite reasonable.

- Nitin Arora:** And just lastly what is the rationale behind not putting you in a bid of Mumbai, Nagpur and as well as Lucknow Ballia project. Is there a rationale behind it is a pure EPC contract which you were getting it. So, just wanted to know your take on that?
- S. Vaikuntanathan:** No, we are also attempting. But at present the existing order that is there we have to do lot of work for tying up and other thing where our concentration is going on. So, our main focus is all these projects should now at least start moving up. We have also participated in the tender. Actually 2 tenders we have participated in 2 packages for Nagpur, Mumbai Express way.
- Moderator:** Thank you. Next question is from the line of Anirban Ray from TATA AIA Life Insurance. Please go ahead.
- Anirban Ray:** Sir just one question. How would your tax rate look over FY19 and FY20? Thanks.
- Venkatram Rao:** Tax rate in our 5 HAM projects will be the full tax. So, we are expecting Tax rate to be around 10% in FY19 and 15% in FY20. And then it will move towards the regular tax rate.
- Anirban Ray:** So, you are saying 10% this year but then we will be moving to about 30% by when, right 2021?
- Venkatram Rao:** Might be 2021 because we have MAT credit of Rs.75 crores. Once we utilize that then we will have to pay the full tax.
- Anirban Ray:** By 2020 you are saying closer to 15%-20% in that range?
- Venkatram Rao:** After that maybe full tax rate.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** So, there seems to have been some order cancellation this quarter. So, is this the Bangladesh project that we have removed from the order book?
- Management:** Yes, we have removed Bangladesh project and we have removed GST components also in the order book actually.
- Parvez Akhtar:** The other thing is for the last couple of quarters our depreciation rate has been trending pretty high. I mean you had explained it last quarter but what is the kind of rate that we can take it in FY19? I mean once the irrigation projects get over what is the kind of depreciation rate which will be there in FY19 and FY20?
- Venkatram Rao:** Definitely in this year, the 2 irrigation project will be completed. So, this year it will be high. So, you can expect that next year it may be around Rs.100 crores to Rs.120 crores depreciation in FY19 after that it will be the normal rate of around Rs.25 crores to Rs.30 crores per quarter.

- Parvez Akhtar:** And for FY19 as a full year we are talking about what number?
- Venkatram Rao:** 2019 full year might be touch 120 crores.
- Parvez Akhtar:** That will be lower than FY18. I think, we did 134 crores this year, so ...
- Venkatram Rao:** Maximum we will already claim the depreciation in our irrigation project in KP Sagar. It was there for almost last 5 months in this year. It is going to be completed by maximum by December FY19. So, we expect that they are not be much depreciation, but it will be closed by around Rs.120 crores in the entire year.
- Moderator:** Thank you. The next question is a follow up from the line of Shравan Shah from Dolat Capital. Please go ahead.
- Shравan Shah:** Sir, this is just wanted to understand in terms of the FY20 we would be maintaining the same 3,000 crores topline guidance. Am I right?
- S. Vaikuntanathan:** Rs. 2,000 Crores.
- Shравan Shah:** FY20, sir?
- S. Vaikuntanathan:** See, this year it will be around Rs.2,000 then subsequently we may do another 20% you can take.
- Shравan Shah:** And sir, this first quarter and second quarter of FY19, do we see any kind of dip on the topline front?
- Venkatram Rao:** Yes, because these 4 HAM projects is going to start contributing from Q3 and Q4 onwards. And whatever, the existing order books are there some project is to moving slowly to the Madurai and Thiruvananthapuram. So, we expect that there may be some dip actually in Q1 and Q2.
- Shравan Shah:** So, it would be in the 10%-20% range or slightly higher?
- Venkram Rao:** No, it will be in that range only.
- Moderator:** Thank you. The next question is from the line of Ambar Singhania from Asian Market Securities. Please go ahead.
- Ambar Singhania:** My question is a just a follow up of the previous participant. When we are talking about FY20, if all the projects are getting our starting revenue from Q4 of FY19 itself and in 2 years-2.5 years we need to complete, so do not you think FY20 revenue should be upward of around 3,000 crores plus rather than just a 20% growth which we are targeting?

- S. Vaikuntanathan:** Sir, what we envisage is that, we should minimum do that 20% over this year. As and when we take up the work then we cannot project what is there after 2 years. But it is only an assumption or we hope that minimum 20% should be there depending upon the working conditions and other thing it should, it can improve.
- Ambar Singhania:** Secondly sir, by when we can expect the finalization of equity partnership for these HAM projects which you are talking about? And when can we expect the appointed date getting declared?
- S. Vaikuntanathan:** you can take a month maximum.
- Ambar Singhania:** And these all projects are 2 year project, right?
- Venkatram Rao:** No, one project is 2.5 years. Chittoor project is 2.5 years.
- Ambar Singhania:** Rest all are 2 years?
- Venkatram Rao:** Yes, rest all are 2 years.
- Ambar Singhania:** Just one last question sir, if I can squeeze in. You mentioned about that the irrigation projects coming in almost to the tune of Rs.13,000 crores of orders from the southern states in couple of months. What is the status of those orders?
- S. Vaikuntanathan:** See, the new irrigation orders, now I think the present scenario we have to wait for the market condition like the new government and other things. I think as far as irrigation, people are going slow now.
- Ambar Singhania:** So, there will be more time which will take for ...
- Management:** Yes, irrigation they will, definitely will take some more time.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. S. Vaikuntanathan for closing comments. Thank you and over to you.
- S. Vaikuntanathan:** Thank you everyone for your participation in our earnings call. We have uploaded the presentation on our company's website. In case of further queries, you may get in touch with Strategic Growth Advisors, our Investor Relations Advisor and feel free to get in touch with us. Thank you very much.
- Moderator:** Thank you. On behalf of KNR Constructions Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.