

August 20, 2021

To The Secretary, Listing Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Maharashtra, India <u>Scrip Code: 532767</u>	To The Manager, Listing Department National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 Maharashtra, India <u>Scrip Code: GAYAPROJ</u>
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Dear Sir(s), Madam(s),

Sub: Q1FY22 Earnings Conference Call

With reference to our letter dated August 17, 2021, please find enclosed **transcript for Q1FY22 Earnings Conference Call held on August 18, 2021 of Gayatri Projects Limited**. The same is being hosted on Company's website at www.gayatri.co.in.

This is for your information and records.

Yours faithfully

Gayatri Projects Limited

Chetan K Sharma

Chetan Kumar Sharma
Company Secretary &
Compliance Officer



Encl: As Above



**“Gayatri Projects Limited Q1 FY-22 Earnings
Conference Call”**

August 18, 2021



**MANAGEMENT: MR. SANDEEP REDDY – MANAGING DIRECTOR,
GAYATRI PROJECTS LIMITED**

MODERATORS: MS. SHEETAL KHANDUJA – GO INDIA ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to Gayatri Projects Limited Q1 FY22 Earnings Conference Call hosted by Go India Advisors. As a reminder, all participants' 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 Ms. Sheetal Khanduja from Go India Advisors. Thank you and over to you, Ma'am.

Sheetal Khanduja: Thank you, Neeraj. Good afternoon everybody and welcome to Gayatri Projects Limited earnings call to discuss the Q1 FY22 Results. We have on the call Mr. Sandeep Reddy – Managing Director of the company. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr. Sandeep Reddy to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you and over to you sir.

Sandeep Reddy: Thank you Sheetal. Ladies and gentlemen, thank you for taking out time to join us for our Q1 FY22 Earnings Call. I hope you and your family members are safe and healthy. I hope you have seen the earnings presentation which has been uploaded on the exchanges.

I would like to start with the updating on our project execution status. Despite COVID laid disruption on account of second wave, we were able to maintain a reasonably strong state of project execution. Purvanchal Expressway is near completion and will be handed over soon. We have also made significant progress at Orissa projects and similarly NHAI project at Andhra, Tamil Nadu body is progressing well. In the non-road segment, our EPC mining work is advancing well. We have a strong order book backlog, an order book of 124 plus billion with a Book-to-Bill of 3x. With regards to the NHAI issue, we have rectified most of the deficiencies at the Sultanpur-Varanasi site, and we are now engaged with NHAI to get the earlier order reversed. We will keep you updated of developments in this matter.

Secondly, as you're all aware that our balance sheet is stretched, due to these delays in payment from states on account of pandemic, but we are committed to improving our balance sheet. In this regard we have made some key strategic decisions. I'm happy to report, we have signed a definitive agreement with Interups USA, and the Board has approved a preferential allotment of 75 million equity shares of Rs. 2 each, which translates to inclusion of Rs. 337 crores in the company, subject to the approval of the shareholders at the ensuing AGM. Post the allotment, the strategic investors and promoters will have a combined holding of 59% in the company on the expanded capital base. This equity inclusion will help the company partially paid this long-term debt and restore these accounts to regular status from current default status. The company currently has a long-term debt of 519 crores.

Moving on to our financial performance for the quarter, Q1 was up 34% at 897 crores, EBITDA for the period was 27% higher at 109 crores. EBITDA growth was driven by strong gross margins, which improved to 18.7 from 13.3 in the last quarter. We're still facing the impact of higher commodity prices and margins continue to remain under pressure. The PAT was at 23 as against the negative profitability of 12 crores on our Q1 FY21. Our working capital requirements increased almost 2 billion this quarter on account of delayed payments from state governments. Coming to Q2 and full-year outlook the Q2 is usually seasonally weak quarter on account of monsoon, and we will see the impact of slower execution. Hence we expect flattish to marginal revenue growth.

With this I will open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shanaya Nair from Value Investments.

Shanaya Nair: Now that the Purvanchal project is completed, which projects are we focusing on?

Sandeep Reddy: We still have currently as I said, order book is 12,500 crores. We would be now focusing on the Delhi-Saharanpur elevated expressway, which is about 1300 crores and also the new water projects which we won. These are the new projects which we will be focusing more now.

Shanaya Nair: What is the status of Jal Jeevan project, any update on the execution? Could you also provide some information on labor availability currently?

Sandeep Reddy: First phase of about 800 crores what they call as surface water project, those are progressing as per schedule there is no issue. We were disrupted in month of May due to labor problem. Mostly we don't use much of migrant labor for the water pipes. Mostly these are all done in the villages and most of the local labor are used. That way there was not much of so much of issue compared to regular construction projects, where people come from, faraway states and coming to the second phase of Jal Jeevan projects where we have to do the DPR, we have got about 1400 villages where we have submitted DPRs and those are under still scrutiny, and we are expecting next month to convert the DPR into a contract. From that time onwards 18 months, it takes to complete those projects.

Shanaya Nair: So, regarding the balance sheet exposure on the irrigation segment, are we receiving any payments on time now?

Sandeep Reddy: Not at all. In fact, irrigation segment is widely hit, because we have financial exposure of nearly, I think last six months because of COVID, Andhra, Telangana and Karnataka have delayed the payments. That is what has affected as badly. I think this month they have promised us that they'll start clearing the payments. I feel that, maybe in the next two quarters the receivable position will improve substantially.

- Moderator:** The next question is from the line of Amanjeet Singh from Oculus Capital.
- Amanjeet Singh:** I just wanted to check, this preferential issue that you've done, will lead to equity inclusion of equity 347 crores. So, when are we expecting those funds?
- Sandeep Reddy:** No, actually we are having the shareholders EGM on 28th and after that shareholder approval, the regular process, then we will have our board meeting and issue of shares, probably it should take a week.
- Amanjeet Singh:** So, you're expecting the funds to come within a week, 10 days?
- Sandeep Reddy:** Yes.
- Amanjeet Singh:** Out of 337, how much would be you using to kind of part your debt and how much you'll be using..?
- Sandeep Reddy:** We are working, we will work out prudently what is payable to debt, some portion of the debt and also to some portion we use for working capital for speeding up the existing projects also. Just to clarify, the money could take one week after EGM, EGM is on 28th.
- Amanjeet Singh:** So, by mid of next month approximately?
- Sandeep Reddy:** Maybe first week of next month?
- Amanjeet Singh:** First week.
- Moderator:** The next question is from the line of Puneet Saraswat an individual investor.
- Puneet Saraswat:** I want to ask two questions from you? So, like one of our participants are asked that, after the AGM you will be getting, the shareholders' approval, you will be getting the money. Is that the equity that you'll be getting, will be in trenches or it would be a one-time payment?
- Sandeep Reddy:** It is one time.
- Puneet Saraswat:** And second question is that you have mentioned in your investor presentation also that, there is impact on margins, due to this material cost. And if we see the commodity cycle also, it is not likely that it is going in a downtrend or it is not likely that it is going in, like we can say it isn't almost in an uptrend to maybe the balance position. Like not moving much here and there. If this moves, what are our backup plan because that has impacted the margins a lot?
- Sandeep Reddy:** I don't think it is further going to go. Now, steel prices are more or less stabilized. The thing is going forward after some time the escalation catches up. See the escalation formula is based on

the index. Normally what we have seen from our experience, the index never catches. It is like the commodity price goes up by one shot, but the index doesn't go exactly to that. Index slowly moves up. Probably by next two quarters, as long as the commodity prices are more or less stable at this price, the index would catch up to that. After that our margins will come back to normalcy actually. This impacted us very badly because if you look at it from January to June where the major steel prices have gone up, diesel prices have gone up and bitumen prices have gone up.

- Puneet Saraswat:** You expect not further movement in steel prices like in the 'kachha' market what we say?
- Sandeep Reddy:** I think so. What we've been hearing that steel prices are more or less stabilized now unless they further go up. I have no idea. I can't predict the pretty well. I think we have seen even last one month even diesel prices more or less stable now.
- Moderator:** The next question is from the line of Anil Sharma from EV Capital.
- Anil Sharma:** Just a couple of questions from my side. First in terms of NHAI, what is the status of the resolution that's going on with the NHAI?
- Sandeep Reddy:** I think we are rectifying, rectification is going on, since these are concrete panels, so it can't be done overnight. It takes about two, three months. We got the order in June, as you know it's only two months over and also monsoon time is another problem, so we are rectifying those panels. Once we rectify them and we call the NHAI officials for an inspection, and then they will do it. So, we are expecting in the next one month or one and a half month to come to normalcy.
- Anil Sharma:** What non-NHAI projects are you looking at right now then?
- Sandeep Reddy:** We have bid actually. We have recently bid also for one bid in Karnataka for an irrigation project, but we did not get it. What I have seen, the bidding pipeline last three months has not been very active at all. Nothing much is happening because I think post-COVID still state governments and all are just figuring out how to get their funding and all that, I feel. So practically if you see it hasn't really affected us. Our order book is still three times our book to bill ratio, so we have enough orders, so we are not in a hurry to take new orders.
- Anil Sharma:** Second was on the interest cost side. So, could you guide us on the aggregate interest cost and how will that move over the next few quarters?
- Sandeep Reddy:** Our interest cost average is about 11%.
- Anil Sharma:** So, the timeline for the repayment of debt, would that change with the increase of additional capital?

- Sandeep Reddy:** Yes. In fact, the overdue will be paid, but the debt repayment is going on as per schedule. There's no difference in repayment. The repayment schedule is going on.
- Anil Sharma:** I am asking will the timeline change for that?
- Sandeep Reddy:** No, nothing will change. Timeline won't change.
- Moderator:** The next question is from the line of Amanjeet Singh from Oculus Capital.
- Amanjeet Singh:** So, FY21 you did about 3900 crores topline and FY22 you have guided from 0% to 5% and I think that's finally because of your Q1 being impacted by COVID and Q2 being weak. How are you seeing FY23, what is the outlook on that?
- Sandeep Reddy:** FY23 will be very good actually. FY23 definitely we will, as I told you the present order book has to be finished in the next 2.5 years. So, all the projects now are in full swing. So, FY23 definitely will be much higher. I can't predict today how much turnover I can do. It's too early.
- Amanjeet Singh:** But you mentioned that from new quarter a firm order book and you have to finish it within 2-2.5 years.
- Sandeep Reddy:** That way theoretically we say next year I should do about 15% growth. Definitely, we will try to achieve 15% this year. I think in the next 6 months we will catch up, third or fourth quarter definitely.
- Amanjeet Singh:** So, FY23 you are looking at approximately 15%,
- Sandeep Reddy:** FY22. FY23 is next year, we are in FY22 now. You are asking about FY22 or FY23?
- Amanjeet Singh:** FY23.
- Sandeep Reddy:** FY23 is next year, right?
- Amanjeet Singh:** In your presentation FY22 guidance you have given revenues 0% to 5% growth on slide 15. So, you are saying that is going to be higher?
- Sandeep Reddy:** 5% growth is what we have guided officially. It could go up also. See, it's too early to predict.
- Moderator:** The next question is from the line of Shanaya Nair from Value Investments.
- Shanaya Nair:** What is the status of more orders in the water segment under the Jal Se Nal scheme? What is the scope in UP and which states are going more aggressive on this scheme?

- Sandeep Reddy:** I think, currently UP has a third phase coming up, probably it will take another six months, I understand. But right now, as I told you, we have 800 crores of surface water projects and also the DPR is approximately what we have got for 1400 villages, it will go up to above 2000 for what we have seen proxy over the sample DPR.
- Shanaya Nair:** And upside Sembcorp, is there any visibility of that happening in the next 12 months?
- Sandeep Reddy:** In fact, Sembcorp is seriously working out. I think three options, one looking at an IPO to divestment of their renewable assets, getting a in strategic partner, also divestment of their coal assets. And any of these divestments happen we would be able to get in some money for our share as per our auction agreement. I think 12 months we will see definitely some movement in Sembcorp.
- Shanaya Nair:** And since you are in default right now, are you talking to any kind of bank for restructuring? Do we require restructuring of working capital loans as well?
- Sandeep Reddy:** No, we are not. We are right at default but once this equity and also some of the receivables come, we will become current to the banks and probably in a quarter's time.
- Shanaya Nair:** And do we have adequate band guarantee limits to bid for new orders? How much is our limit on what amount is unused?
- Sandeep Reddy:** I don't remember offhand. But we are about nearly 400-500 crores of unused. And also, we are expecting in the next six months lot of guarantees will get returned because most of the existing projects get over, they will return. So, that way we have enough bank guarantees to take care of order inflow of about thr3000-5000 per annum.
- Moderator:** The next question is from the line of Urvija Shah from Isha Securities.
- Urvija Shah:** How much debt you said is due for repayment in this year, rest of the year?
- Sandeep Reddy:** You are asking, our total term debt is 500 what is the repayment in this year, is what you are asking? Isn't it?
- Urvija Shah:** Yes. Can you help me with the total working capital debt? Long-term debt you said it is 500. So, what is the total debt on the book?
- Sandeep Reddy:** Around 2000.
- Urvija Shah:** And how much is due for repayment?

- Sandeep Reddy:** 500 is the total term loans which will take up to 2000, I don't offhand have the schedule, we can share with you afterwards if you want.
- Moderator:** The next question is from the line of Anil Sharma from AB Capital.
- Anil Sharma:** Just one thing I wanted to check, what all awards and claims can we monetize this year and any sort of timelines for monetization, if you can please provide?
- Sandeep Reddy:** We are expecting this year I think at least around 200 crores of claims to be monetized. We are actively working with NHA1 the reconciliation process is on. We feel that we will be able to realize at least around 200 crores of claims. A lot of claims are stuck in courts, which I am unable to answer at all because the way courts are working in this country.
- Anil Sharma:** One more thing, in terms of strategy dues like PF and gratuity, are we behind on that particular aspect as well?
- Sandeep Reddy:** PF and all we are okay. Some TDS, one quarter we have gone because of the same delay in cash flows.
- Anil Sharma:** So, one quarter of lag you are saying?
- Sandeep Reddy:** Yes.
- Anil Sharma:** Lastly, just one more thing on the strategic investors side, when I see their balance sheet they don't seem to have that much of enough capital. How sure are we in terms of getting fund from them?
- Sandeep Reddy:** They are not direct investors. They are a company which are arranges the money and also holding asset management company. They are basically holding retirement assets from the US retirement funds. So, they root in other funds. They are not directly in their name. It is a financial investor actually.
- Anil Sharma:** Do we have another plan. Let's say if this doesn't materialize, if this doesn't happen so do we have another plan B kind of thing?
- Sandeep Reddy:** Why will it not materialize? They have signed everything. They are a New York listed company. Let's wait for 20 days then we see another plan.
- Moderator:** The next question is from the line of Amanjeet Singh from Oculus Capital.
- Amanjeet Singh:** Just one follow-up. So, this strategic investor I think is listed in the US as well, right?

- Sandeep Reddy:** Yes.
- Amanjeet Singh:** And their exchange filing they have actually spoken about a possible follow-on investment after this initial investment of 337 crores. Any color on that or have you had any discussions further on the timeline?
- Sandeep Reddy:** They are looking at further investment. Board has to decided, so we have not yet decided about that. Let us get the first phase first.
- Amanjeet Singh:** So, that will be basis of any milestones or something, because I think they spoke about something 49% stake, or something was for their filing to be SEC?
- Sandeep Reddy:** Their basic thing is that they want to maintain 51-49 of the promoter stake. And also, they wanted to do some basic due diligence for the second phase. So, they have still not yet decided, it is still under processing.
- Amanjeet Singh:** Have we approach with a proposal or something? Is it lying with your board, or you are still to receive a proposal from their end?
- Sandeep Reddy:** We are still discussing with them actually.
- Moderator:** As there are no for the questions, I will now hand the conference over to Mr. Sandeep Reddy for closing comments.
- Sandeep Reddy:** Thank you for joining us on the call today. I do hope we have been able to satisfactorily address your queries. In case you have any pending or follow-on queries, please contact the team at Go India Advisors, and they will be able to address any questions you may have. Thanks for your support.
- Moderator:** Thank you very much. On behalf of Go India Advisors that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.