



**July 14, 2020**

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: Q4FY20 Earnings Conference Call**

With reference to our letter dated July 06, 2020, please find enclosed transcript for **Q4FY20 Earnings Conference Call held on July 07, 2020 of Gayatri Projects Limited**. The same shall be hosted on Company's website at [www.gayatri.co.in](http://www.gayatri.co.in).

This is for your information and records.

Yours faithfully

**Gayatri Projects Limited**

*Chetan Kr. Sharma*

**Chetan Kumar Sharma**  
Company Secretary &  
Compliance Officer



Encl: As Above

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## Transcript

### Conference Call Gayatri Projects Ltd. Q4FY20 Earnings

**Event Date / Time** : 7<sup>th</sup> July 2020, 10:00 AM IST

**Event Duration** : 25 minutes 16 seconds

#### *Presentation Session*

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**Pavitra:** Good morning ladies and gentlemen! I am Pavitra, moderator for the conference call. Welcome to Gayatri Projects Ltd. 4QFY20 earnings conference call. At this moment all participants are in listen only mode. Later we will conduct a question and answers session. At that time if you have a question, please press STAR and 1 on your telephone keypad. Please note that this conference is recorded. I now hand over the floor to Mr. Ankit Toshniwal from Go India Advisors. Thank you, and over to you sir.

**Ankit Toshniwal:** Thank you Pavitra! Good morning everybody and welcome to Gayatri Projects Limited earnings call to discuss Q4 and FY 20 results. We have on the call Mr. Sandeep Reddy, Managing Director of the company. We must remind you that 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:** Yeah, thank you Anikt! Ladies and gentlemen, thank you for taking your time out to join us for our annual results call. I am talking to you amid a global pandemic, and hope that you and your loved ones are safe and healthy. This is an extremely challenging time for all of us. And our thoughts are with those who are most affected by the COVID-19, particularly those at the frontline of this crisis. FY 20 was quite an eventful year for us. During the year we were able to make progress on our stated objective of deleveraging and balance-sheet improvement. However, quite a few of our initiatives were delayed because of the situations on account of COVID-19. Despite numerous issues, we managed to reduce our long-term debt by 2.3 billion. We availed the moratorium option till August. And as of today, we are up to date on debt servicing. We continue to maintain our focus on an asset light business model and have a pure play EPC, order book of 130 billion. Our book to bill ratio of 3.8 times gives us a high growth visibility for the next 3 to 4 years. We refrained from participating in aggressive bidding during the year. And participated only in those tenders where we felt our margins were maintained. While there were no new orders in FY 20, we won a water supply project worth 1.4 billion in Q1 FY 21. There was a slow take off in NHAI road projects due to lockdown and we expect order to pick orders from H2 FY 20 onwards. We have a strong bid pipeline of 340 billion of road projects and 240 billion rupees of irrigation projects. Our financial performance in FY20 was adversely affected because of elongated monsoon and lockdown restriction. The executions across the project sites were suspended from 22<sup>nd</sup> March on account of nationwide lockdown and relieved from 20<sup>th</sup> April onwards. Operations have resumed on staggered manner depending upon project site location, availability of labor and raw-material. Currently most of the sites are operating the 50 to 60% execution levels. We expect the same rate to be maintained in Q1 as labor and raw-material situation is yet to be normalized. Our profitability was further impacted as one of the key projects in UP experienced delays on account of land acquisition issues. We have booked nearly 700 million of interest under COGS

and the company will file a claim to recover this and other excess site spends for NHAI. The site was mobilized but work could not proceed. Despite a tough year our EBIDTA generation, we generated was good and we generated a free cash-flow of 367 million. I would like to touch upon FY 21 outlook now. Operationally we were able to resume some significant scale only by end June. And now the operations are again hampered by onset of monsoon. We expect scale to pick up only from H2 onwards. And accordingly, we expect FY 21 to be flat in terms of revenue growth. We will be maintaining EBIDTA margins at a minimum of 15 and aim at order inflow of 30 to 40 billion. With this, I will open the floor for questions.

**Pavitra:** Thank you sir! Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press STAR and 1 from your telephone key-pad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing STAR and 1 again. I repeat, ladies and gentlemen, if you have a question, please press STAR and 1 on your telephone key-pad. We have first question from Anil Sharma from AB Capital. Please go ahead.

**Anil Sharma:** Hello! Hi sir, morning! Sir, just a couple of queries from my side. Just wanted to check on that; your order book has been highest for last couple of years, but the revenue growth is actually not reflecting the pace of execution which is needed to execute the order book. So, just wanted to check whether the execution is in line or is it slightly lower in comparison with the order book?

**Sandeep Reddy:** No, no. Main problem was, even though the order book was ok... See, out of our order book 35% is irrigation projects in the states of Andhra Pradesh and Telangana. See, both these projects, last 2 years have been muted because of, in Telangana for example with one project with land acquisition, the other project, both projects were because of land acquisition. Andhra, because it is an old project, they are actually re-designing the whole thing and gave us the additional variations. That was also stopped for some time. That is the reason the order book of irrigation has not moved as much. But, coming to the other order book, the roads, they have been inline. But there also again we are facing some design problems and land problems also. As I told you, the UP project is delayed by 2 years; and things like that.

**Anil Sharma:** Ok. Ok. One more thing, just wanted to check what type of EBIDTA margins are we expecting going forward? And how the Varanasi project is going to impact the same?

**Sandeep Reddy:** See, our average EBIDTA margin would be around 15%. Varanasi project, the balance amount is much less now. And, so there EBIDTA is badly affected because of the additional cost and additional interest on mobilization advance which they have charged because of delay. All these we are going to claim which ultimately may take 3 or 4 years. But, in immediate future we may not get back, but ultimately, we have a right to recover that. It is very clear that land was not given and is well documented actually.

**Anil Sharma:** Ok, sir. Ok, I will get back to the queue for my further questions. Thanks!

**Pavitra:** Thank you sir! We have next question from Vikash Maskara, an individual investor. Please go ahead.

**Vikash Maskara:** Thanks for giving me this opportunity. I just wanted to understand the interest cost. Sir, as per the consolidated statement, the total interest cost is around 337 crores, and the total gross debt of approximately 1800 crores. Isn't that coming to 20%. So, what is the actual interest cost that you are paying? And what is the break-up of this 337?

**Sandeep Reddy:** Yeah, looking at the stand-alone rate or the consolidated?

**Vikash Maskara:** Consolidated, sir.

**Sandeep Reddy:** Stand-alone will give a better picture. Stand-alone debt is around 1800. Gross debt. 250 is interest. So, basically the average interest cost is around 13.5 to 14%. And balance, like we have bank guarantee for non the commissions are bank guarantees are also included in the costs. That's why it looks .

**Vikash Maskara:** Sir, post this inter creditor agreement that you signed in March, what is the kind of resolution that you are expecting in terms of, you know, interest would there be any reduction in it? You know, will there be any re-structuring of debt repayments? What is the outcome that is expected on the financial side?

**Sandeep Reddy:** We are still working on it. The banks... So far, we are in the process of... coming up with the resolution plan. I don't think we will be able to, we would like to restructure, we would like to ask them to reduce the interest rate by a couple of 100 basis points. That's it.

**Vikash Maskara:** So, lastly sir, this... in case post repayment of ... through the reconciliation, you are presenting 500-600 crores, you net debt will come to 1000 cores, that is what I presume. Will there be a reduction in interest rate for FY 20 to 21? Can we anticipate that?

**Sandeep Reddy:** FY 21, by the time this whole thing comes there won't be much of it. May be FY 22 could be a... give you are better picture actually. Sorry... interest rate is concerned. See, as you know that the current interest rate. The way our Indian banks work, by the time they give whole thing, it may come down to December. So, probably may be one quarter of this year, maybe we get benefit of lower interest rate.

**Vikash Maskara:** Fine sir. I will come back in the queue sir. I will join the queue. Thank you!

**Pavitra:** Thank you sir! Ladies and gentlemen, if you have a question please press STAR and 1 on your telephone key-pad. Please note that STAR and 1 should be pressed only once. Pressing multiple times would put you out of the queue. We have next question from Priyankar Biswas from Nomura Securities. Please go ahead.

**Priyankar Biswas:** Yeah, good morning sir. So, I have couple of questions. One is regarding the labor availability. So, firstly if you can tell at the present moment what sort of average labor availability will you be having at site?

**Sandeep Reddy:** Labor availability is only about 50%. See, after the lockdown all of them run away. So, may be some... our far away sites are having shortage like Maharashtra and AP

and all that. Little more labor are available in our Purvanchal site because it is close to Bihar. Most of the labor comes from Bihar and West Bengal. So, the skilled labor. So, I think on an average it could be around 40-50%.

**Priyankar Biswas:** Ok. So, the question coming from here is... so, like to get the labor back now days a lot of companies, I mean other companies are like offering incentives and those kind of stuff to get the labor back. Now, I am sure you would also be doing some sort of similar actions. So, at a industry wide level how much would see the labor cost inflation? Like going forward pass through?

**Sandeep Reddy:** No, labor. No, no labor normally, I think now more than the cost, it is actually people are trying a lot of, you know, trying to go back and send the transportation, do the facilitation and ask them to come back. But people are still very scared. See, they still feel until the whole pandemic scare is over, they don't want to come. So, I think we won't have clear picture till September actually. By the time... see, right now what happened, most of the labor have gone back to their villages and there they have government doles and in monsoon period they will work in their fields. So, they will have some amount of food and work. Once that gets over, then I think they will start coming back. So, I don't think... and this pass through of escalation we normally, most of the things have a pass through. But that is all on the index of RBI, you know Consumer Price Index. To what level this labor will actually reflect is difficult. So, at least in the short-term at least 2 to 5% of labor cost is definitely going to hit all of us actually.

**Priyankar Biswas:** Ok. And sir, last question. So, like we have been seen like hikes in diesel prices and those sort of input costs. But my guess is due to lack of construction right now, I mean building construction in the cities, so there should be surplus of aggregates. That is my understanding. So, in that case would it be right to say that let us say aggregate of stone seed cost would have come down? Because that is a big part of road construction, right?

**Sandeep Reddy:** No, no. Not really. We, normally most of our sites we make our own aggregates. So, it doesn't matter to us. We don't depend on market for aggregate at all. And I don't think anybody stocks so much and keeps the aggregate actually.

**Priyankar Biswas:** So, not much of price benefit on that anyway.

**Sandeep Reddy:** No. So, actually aggregate is... diesel price comes down, aggregate also comes down. It goes up, we get escalation. It is all part of the work actually. Aggregate is one of the major components in all road projects, actually infra projects where we actually produce our own aggregates actually.

**Priyankar Biswas:** Ok. That's all from my side.

**Pavitra:** Thank you sir. Ladies and gentlemen, if you have a question please press STAR and 1 on your telephone key-pad. We have next question from Ashish Kumar from Infinity Alternatives. Please go ahead.

**Ashish Kumar:** Thanks a lot Sandeep, I hope everybody is safe at Gayatri. Just wanted to understand this reconciliation and arbitration because that is a large portion of cash-flow for this year. Are you.... I mean there has always been a lot of noise in the past every time the Finance Minister, the honorable Finance Minister comes out and makes an announcement. But we actually we find very little movement on the ground in terms of the actually the arbitration and the reconciliations getting closed out. Are you finding a difference this time, how, what is your confidence level that these cash-flows will happen?

**Sandeep Reddy:** No. We have already won the arbitration awards. The only other thing what we assume that as far as central government undertakings awards are there we can raise, wherever they have gone and, you know, they have appealed in the other courts, we can draw 75% of that by giving a bank guarantee. And still the banks are not coming forward, like a lot of teething issues like interest have to be paid, ultimately what happens when you lose? As I told you, last quarter also we told you that we are trying to do that. We are still unable to close that. Hopefully next two quarter, we are trying to convince our banks to convert part of the term loans into bank guarantees and reduce the cost. That is one thing. Coming to reconciliation what they have been talking that is like a forum of NHA now where trying to concile both the parties instead of going for litigation. But it is a mixed bag. In the sense that either party has to really come down because NHA hands are quite tied. They are quite rigid in their thinking. If we fall within their rigid, this thing. Like, for example we got paid in one of our small, one our reconciliation of Assam project, we were paid a small amount instead of arbitration and wait for 4-5 years, even though we would have got 3...2 times than that. But otherwise, it is going on, but not to the extent of what noise we heard in the press as so they are doing so fast.

**Ashish Kumar:** But, are you reasonably confident that you will be able to sort out the entire issue in terms of the banking thing? My more concern is about the banking thing. In case, for whatever reason we don't get the cash-flows.

**Sandeep Reddy:** No, no. We are hoping that by... we are trying to, by two quarters reduce the term loan with these bank guarantees actually. We have got the arbitration awards. In one of them we are trying to convert the arbitration award into a reconciliation. The reconciliation help you in, even if you have won the award in the court, you can go and reconcile and... probably, see for example they normally decide to bargain that the arbitration award gives you 12%, they will pay you 9% interest. So, somewhere you have to sacrifice some amount. That work is going on actually. We are confident, probably before the end of the year we should be able to definitely reduce the balance-sheet.

**Ashish Kumar:** Ok. Thanks a lot, and wish you the best.

**Pavitra:** Thank you sir. Ladies and gentlemen, if you have a question please press STAR and 1 on your telephone key-pad. We have next question from Harsh Parekh, an individual investor. Please go ahead.



**Harsh Parekh:** Hi! Good morning, Sandeep! Sandeep, my question is... two questions. The first one is as regards the awards and claims, roughly 1400 crores. Would it be possible to give break-up of these?

**Sandeep Reddy:** No, the claims are about 950. I don't know from where the figure of 1400.

**Harsh Parekh:** It is on presentation. Presentation page 23. Total claims and awards. First page of the appendix.

**Sandeep Reddy:** Ok. Awards and claims. Ok, claims. Ok. Awards are 750 crores. And out of which, when I say awards, what we have won are awards and there are various stages of courts. Out of which 750 is I think is only 400 or 450 is with central government, rest are with state government awards actually. And others are claim. Claims are further in the different arbitration tribunals still. We haven't won the awards there.

**Harsh Parekh:** Ok. Yeah, and which would be the largest projects that take up the bulk of these claims and awards?

**Sandeep Reddy:** is Nagaland, our award is about 280 crores. Then we have won another NHAI award of 100 crores in UP for old project. So, these are the major things.

**Harsh Parekh:** NHAI is the UP project? The last one that you mentioned, NHAI, the UP project... So that one...

**Sandeep Reddy:** See, the project is already completed 10 years back. UP – 4 actually, the old project actually.

**Harsh Parekh:** Ok. Got it. And the next question is that if you could give us more color on the status of the Mata Rani project. I mean in terms of conciliation and receipt.

**Sandeep Reddy:** Just started. See, what happened is that we terminated the agreement because of the viability because of the same. Now, as per the conciliation agreement we are supposed to ask, we are supposed to give them you know the debt due and the equity. So, that there are 2-3 things. If we say that no fault of ours, then we are supposed to pay equity plus debt due. And NHAI is definitely going to contest and they are trying to show that it is not force majeure, and they are trying to. But somehow that due gets settled. But that again there is a, they always contest the amount of the debt due. They always angle that their project cost is different from our project cost. So, that is now currently under the reconciliation of NHAI. They have referred it to reconciliation. So, we are trying to come to a conclusion during the reconciliation process of arbitration. Because arbitration may take much longer. So, as of now reconciliation...

**Harsh Parekh:** Typically... And sir what is the typical timeline expected. I understand that you can't have cast in stone. But just an expectation?

**Sandeep Reddy:** I think it takes 6 to 8 months, if we go for reconciliation. See, the thing about reconciliation is that the process takes 6 to 8 months. And if you think it is a fair thing, it

can get cleared. If it is very unfair, then we have every right to go back to arbitration. And arbitration will take 3 to 4 years. If fact against Section 9 and through court... and the court actually we have protection against any coercive action by banks also. They insist that unless we (Inaudible 21.34) the NHAI has to pay these things.

**Harsh Parekh:** Ok. Understood. Thank you so much, Sandeep!

**Pavitra:** Thank you sir! Ladies and gentlemen, if you have a question please press STAR and 1 on your telephone key-pad. Next, we have a follow up question Mr. Vikash Maskara, an individual investor. Please go-ahead sir.

**Vikash Maskara:** Thanks for giving this opportunity once again. I just want to... I was looking up the balance-sheet of Gayatri Energies Venture. There is this entity by Bhandara Thermal Power Project. I think it is long terminated. And there is 600 acres of land sitting in the Maharashtra and we have invested about 60 crores of rupees. Any light sir, in terms of what status on that? Are we looking to exit? What is the thought process?

**Sandeep Reddy:** In fact, this was, at that time we had applied for coal linkage and those were the days of times of you know to get power 10 years back. So, that land has been acquired by us and unfortunately the power market has gone down. We have been actively trying to sell the land but we are unable to, you know, the market condition is bad. We are also trying to probably convert it into a solar project and then sell it off to some people. We are actually trying to reduce it. But so far, we have not been successful.

**Vikash Maskara:** An additional question sir. There is another, notes to accounts there is a Power Project probably we are looking to exit. And it is more than 7 years actually. So, we have been extending this date every year. Any thought process what is happening, when can we expect the money to come in?

**Sandeep Reddy:** Same problem. In fact, there was some Nagpur based group call Jin group. We actually had a joint venture with them to develop this 500 MW power plant. So, we had put in some money as you know. And ultimately the same problem. The power plant started and collapsed. And that party has also now tried to get a new partner and they are trying to buy us out. So, actually entered into an exit agreement with them. But it is, I think, it is stuck in litigation with other party, so ultimately, we don't know when... I can't give a timeline. I could be... yes, we are trying to resolve the issues to get our money back.

**Vikash Maskara:** Sir, lastly if I can get one additional question, I know you have exited SEMBCORP Energy and we have some residual upside. Can you probably throw some light, what is EBIDTA and debt of Semcorp Energy so that we can get some idea on what is valuation of that?

**Sandeep Reddy:** Sembcorp Energy basically has now completed a portfolio of 2600 of thermal and about 18 MW of renewable. Their EBIDTA I think is around 3500 crores approximately. And debt is around 20 thousand crores.



**Vikash Maskara:** 20 thousand crores approximately. Thanks sir. Thank you so much!

**Pavitra:** Thank you sir. That would be the last question for the day. Now I hand over the floor Mr. Sandeep Reddy for closing comments. Over to you sir.

**Sandeep Reddy:** Yeah. Thank you for joining us for the call today. I really hope that we have been able to satisfactorily address your queries. In case you have any pending or follow-up queries, please contact the team at Go India. They will be able to address any questions that you have. Thank you for your support and time.

**Pavitra:** Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a pleasant day.

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**Note:**

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.