

June 18, 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: Q4FY21 Earnings Conference Call

With reference to our letter dated June 11, 2021, please find enclosed **transcript for Q4FY21 Earnings Conference Call held on June 15, 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

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Transcript

Conference Call of Gayatri Projects Limited

Event Date / Time : **15th June 2021, 4 PM**

Event Duration : **40 min 44 secs**

Presentation Session

Moderator: Good evening ladies and gentlemen, I am Bharathi, moderator for the conference call. Welcome to Gayatri Projects Limited Q4FY21 earnings conference call. As a reminder all participants 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 telephone. Please note this conference is recorded. I would now like to hand over the floor to Ms. Sheetal Khanduja of Go India Advisors. Thank you and over to you ma'am.sir.

Sheetal Khanduja: Thank you Bharathi. Good everybody and welcome to Gayatri Projects Limited's earnings call to discuss the Q4 & FY21 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. 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 FY21 earnings call. I hope you and your family members are safe and healthy. This was indeed a tough year on account of COVID pandemic. However, we are very happy with our operational and financial performance despite a tough time. I am happy to report that we (audio break) our full year guidance of a flattish revenue growth. Our revenue was up 14% and it was primarily driven by strong execution at our site which is near completion. Our Purvanchal Expressway project is almost near completion and should be handed over to the authorities in the next three to five months and we are hopeful that we should be eligible for an early completion bonus for the project. We have also started booking revenues in some of the districts of UP Jal Jeevan Mission which is an new era of growth for us. While we were able to bounce back from the early wave of COVID, the second wave of COVID has impacted our site significantly. We had to shut some of our sites as we had an outbreak of this project.

I will now briefly touch upon our financial performance. Our balance sheet was significantly strengthened this quarter while net debt is up a bit given the severe cash flow challenges early in the year on account of COVID lockdowns. We have reduced our long-term debt by 25% in FY21. The cash flow situations while it had eased from H1 FY21, it continues to remain challenging. We are taking multiple steps to ensure our liquidity eases. There has also been a significant interest cost reduction on account of our negotiation with banks and we were able to reduce our interest cost by over 250



basis points. We maintain a strong order book of 13000 crores and our book to bill ratio remains high at over **2:50X**. Our strong project pipeline gives us a good revenue visibility. Our EBITDA grew two times over last year but our margins are significantly impacted because of our high raw material cost, our contracts have material indexation policy but that works in a three to four month lag and any sharp rises in raw material prices will impact the gross margins in the short-term. However we have been able to maintain our full year margins at 12%.

Before I come to our FY22 guidance I would like to discuss about the NHAI announcement which came last week. I am sure all of you would have seen the press release we issued. The issue was at our site in Sultanpur-Varanasi where we have been working since 2016. Out of the total 138 kmts section 4-laning has been completed for 129 kmts which is 93% of the project. Basically this is a concrete pavement project PQC project. At this particular site we received land in a very patchy manner and with significant delays. This had a large impact on project delivery and time lines. There have been issues of pending payments with NHAI because of which the work at sites had to be stopped. Cuds have developed over 3 kmt stretch out of the total 138 kmt section. Defects have come up beyond defect liability period and at a road which is seeing heavy vehicular movement. We are working on sorting out these cracks and silages and other technical issues and expect to resolve this with the authorities over the next two to three months. While we have raised objections against this order, we are engaged with NHAI to get the same resolved.

FY22 guidance – FY22 has seen the impact of a weak Q1 on account of shut downs due to COVID second wave; but we should be able to at least maintain similar revenues. We also expect to achieve EBITDA margins in the range of 13% to 14%. With this, I will open the floor for questions.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. The first question comes from Mr. Anil Sharma from AB Capital. Please go ahead.

Anil Sharma: Hi sir thanks for the opportunity. Am I audible?

Sandeep Reddy: Yes, absolutely.

Anil Sharma: So you were mentioning about the NHAI issue that has recently come up. So I just wanted to seek some clarification with regards to the resolution reserved for that particular issue and is there any kind of impact that you foresee on your scheduled payments from NHAI?

Sandeep Reddy: No, not at all. The only impact what they have said in the NHAI letter is, I think the press has blown this out of proportion by calling it debarment all these things. Actually as per the new policy, they have said, you will not be allowed to bid till you rectify these things. So they have given us time to rectify those cracks and once we do that they will normalize the procedure. Till that time we cannot bid and participate in any of the future NHAI project, that's it. So we hope to resolve this in the next couple of months actually. Any future projects which we are hoping to bid, but our

existing order book is for 13000 crores which we are comfortable for at least next six to eight months.

Anil Sharma: Okay, so any kind of inflow guidance you would like to provide for this year also?

Sandeep Reddy: Order inflow would be around 3000 to 4000 crores we are expecting. Also if you look at the schedule, none of the tendering is happening....I think most of the tender will happen in the third quarter because of COVID, the last first quarter nothing has moved actually. So most of the tenders are postponed or nothing is happening actually. I think the main momentum of tendering will start only from September onwards. Hopefully by then we will be able to resolve this issue.

Anil Sharma: Okay. Lastly one more thing I wanted to check, so this is the prevailing condition due to the second wave of COVID, so are you seeing any kind of labor shortages at your site....?

Sandeep Reddy: Yeah there was labor shortage definitely in the months of April and May because that was peak season. It all depends on area to area. We are working in Maharashtra and UP where a lot of migrant labor had run away. About 40% of the labor had gone away to their hometowns when the COVID wave started. Now slowly they are coming back...

Anil Sharma: What is the position right now sir?

Sandeep Reddy: Now I think they are slowly coming back. Now the monsoon will start, so June month also will get affected. So I think like last time....it is not as bad as last time probably where there was a complete lockdown for about nearly 1-1/2 months. Here April and May work went on but not at full as FY21 fourth quarter level we could not work.

Sandeep Reddy: Okay sir, thanks for the opportunity. I will get back if I need to ask any further questions.

Moderator: Thank you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. Next question comes from Mangesh Bhadang from Nirmal Bang. Please go ahead.

Mangesh Bhadang: Good afternoon sir. My question is regards the NHAI order. So NHAI would have at least given some timeline to rectify before issuing this order....was there any deficiency from our end which triggered....

Sandeep Reddy: There was no deficiency, it is just a perception issue. Basically NHI had done this audit in February and we had actually done a study from IIT, BHU and in the month of May, NHAI gave us a notice to complete. We were going to start but because of COVID the entire site was stopped. Because of this somehow NHAI in their own wisdom tried to debase on the site actually.

Mangesh Bhadang: So how is the situation sir? The labor situation...

Sandeep Reddy: We have started rectifying that. The order is very clear; in fact the press has actually blown it out of proportion, debarment and all those words.

Actually if you see the order is very clear. They have said, we have given you a notice in May, we are not happy with your reply. We will stop you from participating until you rectify it. So once we rectify, the whole issue will get sorted out. So we have already started the rectification process.

Mangesh Bhadang: Because they are just oversees, so it may not take much time right? So we can expect....

Sandeep Reddy: Yeah, but then it is a new panel in a whole stretch a few panels have to be rectified, a few panels have to be removed, so there will be traffic diversion. It will take about a couple of months to do that. It is a concrete pavement, even after rectifying it takes 28 days of curing before we can let the traffic move on that.

Mangesh Bhadang: Okay. The next question is regarding the receivables. What is our receivable position as of FY21 and how much have we provided for? Were there any bad debts which were written off?

Sandeep Reddy: We have not provided any bad debts. Our receivables are delayed because of the client, like Andhra, Telangana, Karnataka...state governments, receivables on irrigation projects have been long this year actually.

Mangesh Bhadang: What would be the amount in ?

Sandeep Reddy: I think at least 300 to 400 crores minimum. About 400 crores.

Mangesh Bhadang: And sir what are the debt reduction plans this year and how much have you reduced in FY21?

Sandeep Reddy: We have reduced our term loan in FY21 and debt reduction as I told you is to continue with the term loan reduction. We hope to become debt free in the next two years....at least the long-term debt and the working capital will continue.

Mangesh Bhadang: Okay sir, that's it from me. Best of luck.

Moderator: Thank you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. Next question comes from Prem Khurana from Anand Rathi Securities. Please go ahead.

Prem Khurana: Thank you for taking my question sir. (audio disturbance)

Sandeep Reddy: I am not able to hear you.

Moderator: Mr. Prem, sorry to interrupt sir, can you join the queue sir, we will check your line?

Prem Khurana: Okay.

Moderator: Thank you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. Next question comes from Shinaya Nayyar from Fortune Wealth Advisory. Please go ahead.



- Shinaya Nayyar:** Hi sir, thank you for the opportunity. Am I audible?
- Sandeep Reddy:** Yes of course.
- Shinaya Nayyar:** Sir can you tell us more about the debt reduction plans you are targeting this year?
- Sandeep Reddy:** As I told you, our long-term debt is only 500 crores. We are hoping to reduce it in the next couple of years. So our regular repayment plan is continuing as per the debt reduction. That's all.
- Shinaya Nayyar:** Okay sir, thank you. Sir, what is the status of execution at you waterworks project?
- Sandeep Reddy:** We have just started. We have two levels of waterworks. We have phase 1 waterworks which are basically direct three projects which we have already started executing in the last quarter. Then we have won the other....number of villages are about 1800 villages what they call. We are actually doing the study; we have to submit the DPRs. Once the DPRs are accepted, then they will sign the agreement for those for the final value and then we will start executing. But those because of COVID I think....we have completed the study, but the government side there has been couple of months' delay. As you say April and May practically the UP government was paralyzed because of COVID.
- Shinaya Nayyar:** Okay. Sir can you tell us more about the working capital days and working capital debt you currently have?
- Sandeep Reddy:** Working capital debt is around 1400 crores.
- Shinaya Nayyar:** Okay sir and sir last question. What amount can you expect from awards and claims in FY22?
- Sandeep Reddy:** FY22? We are expecting at least, minimum about 240 crores this year. Total arbitration claims nearly 854 crores out of which 200 plus we are expecting this year and the balance in the next two years. Some of our claims are in various stages of legality in courts. Unfortunately, the courts are very, very slow in moving because of the COVID situation. We are actively working with NHA1 for some of the awards under the reconciliation mechanism which NHA1 has adopted. So we are actually confident of resolving some early this year.
- Shinaya Nayyar:** Okay sir, thank you so much; that's it from my side.
- Moderator:** Thank you ma'am. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. Next question comes from Vikram Damani from Damani Securities. Please go ahead.
- Vikram Damani:** Hi good afternoon. Am I audible? So I had a question, given your reduction in interest by 250 bps what are we expecting to pay as interest this year?
- Sandeep Reddy:** Sorry, can you just repeat it?



Vikram Damani: In the opening remarks you mentioned that we have re-negotiated our debt....

Sandeep Reddy: Yeah we were able to reduce the interest by 2%, 2-1/2 percent on the working capital.

Vikram Damani: Any guidance on what we might expect to pay as interest for the year?

Sandeep Reddy: You want the interest amount or the amount of interest we are going to pay?

Vikram Damani: The absolute amount of interest.

Sandeep Reddy: This year we have paid about 300 crores of interest....320. It could....we are expecting about nearly 200 crores of repayment, so I am sure our interest will come down to between 250 and 275.

Vikram Damani: Okay awesome thanks. My other question was asked earlier. Thanks a lot and all the best.

Moderator: Thank you ma'am. Next question comes from Manish Dhariwal from Fiducia Capital. Please go ahead.

Manish Dhariwal: A very good afternoon. Am I audible?

Sandeep Reddy: Yeah.

Manish Dhariwal: Thank you for this opportunity. My question is of a little longer duration in the sense I would like to get from you a perspective of how do you see this organization coming back into good profitability.....parameters like it used to be in 2013 and 2014 where the margins used to be 25% upwards. What is your longer term trajectory on how you plan to take this organization to those profitable levels?

Sandeep Reddy: That's what I am saying. As I told you, we are always having a diversified growth in the sense irrigation projects have a much higher margins compared to road projects, but it is a mix of things. Road projects are basically NHAI and highly accommodative EPC projects where it is much more capital intensive and all that, where the margins are much lower but then you have certainty of payments. But the problem in risk irrigation project is that the margins are much higher but these are state government projects and payments are very lumpy, so it is always a strain on the balance sheet. So we always try to balance out both. Now we are looking at water as a big thrust area in the future. As you know we have just entered this Jal Jeevan Mission thing and only in UP. After that we are going to start going to other things. Now, maybe going forward our percentage of the road division will come down, water division will go up. Also the other area where we look at in the future is industrial projects where I think in the last five years, there has been no capex cycle in India. But now that....I was reading somewhere that by 25 steel industry has to double, cement and a lot of investments are going to happen. There again we will have opportunity to start working on Greenfield projects. There we will have good margins. So we will look at again entering into those. The fourth area we are looking at is urban infra structure where you have much more technical and skill required, where the margins are better. That's why



we were able to get this Delhi-Saharanpur road which is about 9 kmts elevated Expressway from NHAI where it is not a pure road. So there we were able to win against competition at a better margin. So I think going forward...this year would still be challenging but FY23, by the time our water projects will be a major thrust for us; we will come back to better profitability.

Manish Dhariwal: Could you also give us a flavor of how you are taking this capital allocation decisions because if one looks at your notes to accounts, the decision of money is being given to subsidiary companies, hotel companies

Sandeep Reddy: That is all history. That's what I am saying, in 2010 to 12 when we enter into BOT projects and power projects and investments; that affected our balance sheet. Now, from 2015-16 onwards we have stopped investing at all. Our only aim is to improve the balance sheet and return the money back. But unfortunately we were a little delayed in monetizing those assets. But some of our old assets will now get monetized. Infact we have a few annuity assets which now has come to the tail end period where the money will come back and also we were able to right size one of our road projects. Recently we sold majority stake to Kotak in HKR Roadways and Kotak is now funding the completion. We need to complete the project, spend some more capex. After that we will be able to exit the project and return all the investment what we have made. That way I think the next two years three things are going to happen. We are going to improve margins by getting into other value added construction projects and we would never go anymore into any investment projects as you can see we never bid even for HAM projects even though the entire market is going for HAM. We don't believe HAM as a capital allocation is the right thing. It is a short-term thing but long-term capital allocation in HAM will always be lower return on investment. Coming to balance sheet improvement is the other thing which will bring us back to better glory which we hope that next two years three things can improve our balance sheet - One, divestment of all the assets; two, getting back our claims.

Manish Dhariwal: Okay, thank you and all the best.

Moderator: Thank you ma'am. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. Next question comes from Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good evening sir. First question, which part of the projects which are likely to contribute meaningfully to FY22 and how much you expect the revenue run rate from UP Jal Jeevan Mission in FY22?

Sandeep Reddy: In FY22, I think about 20% of our revenue would be from UP Jal Jeevan Mission. As I told you this 800 crores of job has to be more or less completed...it is 60%, 70% here, and then we are going to win the other thing. So maybe about nearly 30% of our revenue would be from UP Jal Jeevan in this year FY22.

Mohit Kumar: How do you see FY23 panning out given in the kind of order book, we expect 15%, 20% growth or it could be higher?

Sandeep Reddy: FY23 we expect nearly 15% growth.

Mohit Kumar: Oh 20% growth over FY22 which is flat right?



Sandeep Reddy: We are expecting a flattish....unless we can really rebound quicker in the second half.

Mohit Kumar: Sure, understood sir. Lastly on the order pipeline, what is the kind of order which is available from the state side, especially in Andhra Pradesh and Telangana I think these are the states which you are targeting now?

Sandeep Reddy: No, we don't target much in Telangana. In Telangana we don't have much order inflow coming now. Andhra they are calling for a few projects but we are still selectively looking because funds are terrible in Andhra. They have no money at all. So we are concentrating on other states, Karnataka, maybe Tamil Nadu is coming out with a few projects and also...NHAI pipeline is always there and then we are looking at Jal Jeevan Mission and also looking at our infrastructure like elevated roads, Metros and all that. I think more guidance will come after third quarter of this year. This COVID has affected till September if you can see.

Mohit Kumar: How is the Metro pipe line sir? Do you think we have enough on the board, enough on the ad hoc for us to qualify and participate?

Sandeep Reddy: I didn't understand your question.

Mohit Kumar: My question is how does your Metro pipe line is looking like at this point of time where we can qualify....?

Sandeep Reddy: No we don't qualify directly in Metro. So we were trying to form joint ventures. Also we could qualify for a Metro after about six months ourselves because we are completing one elevated aqua duct in our irrigation project. Once we do that we would be eligible for Metro. That's why we are looking probably after December bidding for Metros ourselves.

Mohit Kumar: And sir on your Jal Jeevan Mission side, apart from UP which is on the cards, I think MP is coming up right..MP, Rajasthan?

Sandeep Reddy: Yeah. Actually every state has but we have selected UP because funding is the most important think. Jal Jeevan Mission again being a state government subject, it is very selective to take the proper funded projects because otherwise it becomes a lot of problem.

Mohit Kumar: Understood. So thanks and best of luck.

Moderator: Thank you ma'am. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. Next question comes from Prem Khurana from Anand Rathi Securities. Please go ahead.

Prem Khurana: Sir am I audible now?

Sandeep Reddy: Yeah.

Prem Khurana: Sir three questions; one is on the NHAI issue which we have I mean essentially you would have to carry out the rectification work now, will this be compensated or will it impact our margins this year?

Sandeep Reddy: Sorry?

Prem Khurana: The rectification work that you carry out of around 4:31 kmts, we are going to spend this money from our pocket? The government won't compensate this?

Sandeep Reddy: There is hardly anything yar, the whole rectification work will cost a few lakhs.

Prem Khurana: Okay, so it won't be much and you will still be able to maintain the number in terms of margins?

Sandeep Reddy: Yeah.

Prem Khurana: Okay, and sir the second one is regarding reducing our debt but for some reason the credit is still the same. So if you can help us understand when do you expect this to come down substantially....?

Sandeep Reddy: Most of our thing is pledged to our existing bankers because historically for whatever reason. So we are not really pledged against and taken any margin funding actually. Most of the pledges is to the bankers of the company itself so it is more like collateral security.

Prem Khurana: Okay, it will be secondary collateral that you have given additionally?

Sandeep Reddy: Yeah.

Prem Khurana: Also can you help us understand the way commodities have gone up in the recent past....?

Sandeep Reddy: Commodities is actually a very strong issue because steel has gone up from 40000 to 60000. Steel, cement and diesel has gone up tremendously and infact most of our NHAI projects we have a pass through of all these commodities but basically the index is about one quarter before you reuse. So the quarter which actually goes through we don't get compensated but then ultimately it gets adjusted. That actually hits us in the fourth quarter.

Prem Khurana: So you are saying that essentially (audio disturbance) Q1 can still be retained....Q1 and Q2 can still be retained as margin but (audio disturbance).

Sandeep Reddy: It is fluctuating, index doesn't go as much as the current spike in.....

Prem Khurana: Yeah, so what I want to understand because generally most of the time we generally don't get to have this kind of (audio disturbance).

Sandeep Reddy: Normally we assume that when there is a general (not clear) it does not matter but this time there was a tremendous hike right? Steel has gone up by nearly 50%.

Prem Khurana: Sure, sir thank you that's it from my side.



Moderator: Thank you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. Next question comes from Maheswari an individual investor. Please go ahead.

Maheswari: Hello? Am I audible, can you hear me?

Sandeep Reddy: Yeah.

Maheswari: Sir with respect to the NHAI episode, as of now this particular episode with NHAI, how long are we going to take to rectify this?

Sandeep Reddy: About two months.

Maheswari: So we would qualify for further orders only after two months right?

Sandeep Reddy: Yes, for NHAI orders.

Maheswari: And sir you said that....a margin guidance of 13% to 14% right?

Sandeep Reddy: Yeah.

Maheswari: For the current quarter we have....our margins are 8% right? 8% for the fourth quarter right?

Sandeep Reddy: Yeah.

Maheswari: So 13% to 14% margins are we going to....

Sandeep Reddy: EBITDA will be 13%, 14%. EBITDA in fourth quarter was 11% not 8%.

Maheswari: We calculated it as 8.... and that is what is mentioned in your investor picture as well.

Sandeep Reddy: I think I will clarify back to you, I am sorry.

Maheswari: If we are going to maintain a 13% to 14% EBITDA margin trajectory, are we right to achieve this from the first quarter itself?

Sandeep Reddy: First quarter will be lower; first quarter because of the pandemic, I think the margins also maybe lower.

Maheswari: So sir, input cost is going to be there in the first quarter also right?

Sandeep Reddy: In the first quarter definitely lockdowns and overheads are more.

Maheswari: So from the second quarter can we expect that we can get into the same...?

Sandeep Reddy: Yes.

Maheswari: And sir Jal Jeevan Mission, this is one of the best opportunity that we have right now. So in Jal Jeevan what is the total opportunity that we are kind of envisaging here right now?

Sandeep Reddy: We have 800 crores under execution. We are hoping to get around...once we complete the DTR, I think it could be estimated around 3000 crores...3000 to 4000 crores which itself I think in the next two years we need to complete.

Maheswari: Okay, so 3000 to 4000 crores of top line we are able to achieve from Jal Jeevan Mission right?

Sandeep Reddy: Further Jal Jeevan Mission projects will be added to our order book which are to be executed in the next two years.

Maheswari: Okay sir. And sir how do you see your order book.... In your opening remarks I think you mentioned that in the first two quarters we are not going to get any orders right?

Sandeep Reddy: First quarter is anyway over year and the second quarter also I don't see any tender which is really on schedule because still everybody is reeling from COVID and coming out of the lockdowns and I think a lot of the states are still having problems. I think the main order book will start again....the pipe line will start only after September – October...so the last two quarters only.

Maheswari: But our total debt is about 1850 crores right?

Sandeep Reddy: Yeah.

Maheswari: Out of that you had mentioned to one of the participants in the call that 500 crores is long-term debt is it?

Sandeep Reddy: It is our term debt and the balance is the working capital.

Maheswari: And we are going to reduce that in the next two years to zero?

Sandeep Reddy: Yeah the term debt. The term debt we are trying to reduce to zero in the next two years.

Maheswari: So the working capital debt is going to be there right?

Sandeep Reddy: Yeah.

Maheswari: Okay sir thank you.



Moderator: Thank you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. Next question comes from Preethi Singh from Value Investments. Please go ahead.

Preethi Singh: Hi, am I audible?

Sandeep Reddy: Yes.

Preethi Singh: Sir I have a couple of questions. What other projects that are getting completed besides the Purvanchal Expressway?

Sandeep Reddy: This year the major project completed will be Purrvanchal Expressway and I have a couple of other smaller projects like Andhra - Tamil Nadu border project and I think a couple of our Orissa projects may get over this year. Cuttack-Angul project.

Preethi Singh: Okay. What is the status on the resolution of Sai Maatarini road project?

Sandeep Reddy: That we are in the reconciliation with NHAI. They have actually paid some amount to the bank as termination payment which is much lesser than the actual termination. So termination and claims are still under resolution. We are hoping in the next quarter we will be able to get the resolution on the Sai Maatarini project.

Preethi Singh: Okay what is your strategy post debt restructuring with regard to Hyderabad Karimnagar Road project.

Sandeep Reddy: Hyderabad Karimnagar Road Project we have done the one-time settlement with the bank. Now the debt has been re-sized from 1400 crores to about 700 and we need to spend about 200 crores on capex. Hopefully in the next 1-1/2 years we are going to complete with the revenues we get from the project. Then when we achieve the full COD, next year we will look at exiting the project.

Preethi Singh: Okay, the last question, when can we hear default credit rating changed?

Sandeep Reddy: Once our liquidity position improves; state governments have to pay us. A lot of money is blocked with the state governments we are in a default debt.

Preethi Singh: That's it from my side, thank you.

Moderator: Thank you ma'am. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. Next question we have a follow up question from Maheswari an individual investor. Please go ahead.

Maheswari: Sir for FY22 our guidance is 15%

Sandeep Reddy: No, EBITDA margin is 13% to 14% sir.

Maheswari: For FY22 is it going to be flat?



Sandeep Reddy: Yeah, revenue made a track. As I told you, the first quarter is going to be hit quite a bit, second quarter is again monsoon. It all depends again how good the monsoon is. It is difficult to predict today also.

Maheswari: So if our revenues are going to remain flat for the entire year, how are we going to attain this margin trajectory of 13%, 14% if the first quarter results are impossible, from quarter onwards you will get there but how?

Sandeep Reddy: Some of the projects are all starting. The water projects have higher margins, they are going to start and the new project what we won will start revenues. It is a mix of margins. Some projects are in the completion stage. So sometimes in a lot of road projects the end probably margins will be much better because mostly all the road furniture and whatever items are there may require much less effort and less overheads on that so your margin is much higher on those items. It blends on that.

Maheswari: So what is the quantum of water out of that we are executing right now where we have higher margins?

Sandeep Reddy: It will be good if we have 800 crores but we are expecting in the next two quarters upto 3000 crores. We have already won the orders, we are doing the study. It is a two stage project. We have won the order for about 1800 villages which will translate into 2500 to 3000. We are in the final stage of finalizing the DPR of these villages. The DPR once it is finalized and accepted, then the agreement will be entered into for that amount and then the execution starts.

Maheswari: So this is going to take some time right?

Sandeep Reddy: I think it will start from July onwards. We are delayed by a quarter.

Maheswari: Okay and sir what has our arbitration claim amounted to?

Sandeep Reddy: Total 800 crores...200 this year and the next year the balance.

Maheswari: The next year the balance?

Sandeep Reddy: It is anybody's guess yar, the way the courts in this country works. So a lot of arbitrations are stuck in the courts.

Maheswari: Right. Sir the interest cost for the entire year was 320 crores?

Sandeep Reddy: Yeah.

Maheswari: Our interest costs are going to reduce right?

Sandeep Reddy: Yeah it will reduce; obviously with debt reduction interest costs will reduce.

Maheswari: This year itself we are going to completely retire our long term debt right?

Sandeep Reddy: Not this year, two years from now.

Maheswari: Sir in the balance sheet there was one item, financial liabilities have reduced....I mean have increased dramatically from 900 crores to 1340 crores, what is this attributed to?

Sandeep Reddy: Which one?

Maheswari: In the balance sheet at the financial liabilities has increased dramatically from 920 crores odd to 1340 crores.

Sandeep Reddy: It has come down actually. It used to be 1350 it has come down to 990 yar. Other financial liabilities from 1335 to 990.

Maheswari: Yes, yes, I am extremely sorry sir. Okay sir, thank you.

Moderator: Thank you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. Next question comes from Urvija Shah from ISHA Securities. Please go ahead.

Urvija Shah: Hello? Sir I wanted to know how much debt is up for repayment in FY22?

Sandeep Reddy: Approximately 200 crores.

Urvija Shah: Okay sure, thank you.

Moderator: Thank you ma'am. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad.

Thank you sir, that was the last question for the day. Now, I hand over the floor to Mr. Sandeep Reddy for closing comments.

Sandeep Reddy: Thank you for joining us in the call today. I do hope that 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 and time.

Moderator: Thank you sir. Thank you everyone. Ladies and gentlemen, with this we conclude our conference call 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 good day everyone.

Note:

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