

November 22, 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: Q2FY2022 Earnings Conference Call**

With reference to our letter dated November 17, 2021, please find enclosed **transcript for Q2FY2022 Earnings Conference Call held on November 18, 2021 of Gayatri Projects Limited**. The same is being 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 Kumar Sharma*

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



Encl: As Above



“Gayatri Projects Limited  
Q2 FY2022 Earnings Conference Call”

November 18, 2021



**ANALYST: MS. SHEETAL KHANDUJA – GO INDIA ADVISORS**

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



*Gayatri Projects Limited  
November 18, 2021*

**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY2022 Earnings Conference Call of Gayatri Projects Limited. As a reminder, all participant 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. Thank you and over to you, Madam!

**Sheetal Khanduja:** Thank you, Stephen. Good afternoon everybody and welcome to Gayatri Projects Limited earnings call to discuss the Q2 FY2022 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 Q2 FY2022 Earnings Call. I hope you have seen the earnings presentation which has been uploaded on the exchanges.

I will start with some important updates before discussing the Q2 performance. I would like to start with update regarding the equity infusion in the company. As you are aware that we have been struggling with liquidity constraints over the last one and a half or two years in the last quarter we announced a preferential allotment to a strategic investor. The company is following up to conclude the deal.

Regarding the Varanasi-Sultanpur Road project issue, we have completed majority of the recognition work and have started the paperwork process with NHAI for the reversal of the order.

Coming to our key project of Purvanchal Expressway, we have received a provisional date of competition of our package II and expect to receive the same by the month end for package I. We are expecting a bonus on both the packages which will be around 5% to 6% of the total project cost of around 3000 Crores. As our other key project sites there have been an impact on execution on account of stretched liquidity position and heavy monsoon.

Coming to our performance this quarter, Q2 is usually a weak quarter; however, our revenue is marginally up driven by early completion of Purvanchal Expressway. Gross margins; however, were significantly impacted due to commodity price inflation. This

quarter saw key raw material like steel, cement, HFGs, bitumen metal costing 15% higher, we expect some of it will come back through escalation. This quarter also saw multiple extraordinary hits which also impacted our gross margins. In Varanasi there was an excess interest on mobilization advance, cost of 15 Crores. We have been incurring substantial cumulative losses in the NHAI Varanasi project primarily due to a delay of two, three years in land acquisition this is on NHAI's account and we are expecting to recover that and corresponding carried cost claims to be filed soon. The BG commission charges increased from 1.25% to 3% due to our NPA situation. There was a onetime expense of 50 Crores due to a project termination most of these cost escalations will normalize in line with the contractual terms and extraordinary hits likely to be recover through claims and arbitration process.

I will briefly touch upon the liquidity situation and how we are addressing the same. Promoters are in advanced discussion on personal asset monetization which has infused capital into the company to help mitigate liquidity tightness. On account of tight cash flow situations company has defaulted in repayment to lenders due to non-realization of expected receivables as of September 30, 2021, and total outstanding dues to lenders are 541 Crores.

Company is in discussion with banks to restructure the debt repayment schedule to align with the expected cash flows. Company is expecting cash flows from early completion bonus Purvanchal Expressway which would be close to 140 Crores to 160 Crores. Arbitration awards out of the 700 Crores expecting about 200 to 300 Crores by March 2022.

With this I would like to 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 Geeta Naik from Value Investment. Please go ahead.

**Geeta Naik:** Good afternoon Sir. Thank you for the opportunity. I have a few questions, Sir, what is the status of Sai Maatarini arbitration?

**Sandeep Reddy:** You want me to answer this question. Sai Maatarini basically we are doing the CCIE settlement with NHAI. We are hoping that there will be a settlement expecting by next three months. In fact it got delayed for about two, three months because of COVID and NHAI is now in the advance stage of settling the thing that is basically a termination payment to the lenders and some claim payment to Gayatri.

**Geeta Naik:** Sir I also see there are multiple new exceptional items and I believe you said that you will plan to take the claims to the arbitration route so would not this be a very long process.

- Sandeep Reddy:** Which one?
- Geeta Naik:** When you said there are multiple exceptional items like in your opening comments I believe you said something about the Varanasi project and you plan to take the claims?
- Sandeep Reddy:** No, Varanasi we are going to submit the arbitration claim now. See basically NHAI is now come with this new policy. See there are two ways of doing either you go to arbitration and go onto core process which it will be take two three years but NHAI has started its reconciliation CCIE reconciliation with the special committee which they have been settling all the claims and maybe it is a very fast process maximum six to eight months process actually.
- Geeta Naik:** So all your projects will go through the latter process?
- Sandeep Reddy:** Not all projects like Varanasi is a major claim so once we complete NHAI has now set framework in place which can ease, it is still less if you can withstand liquidity and wait for arbitration and win against it, it will be a much more money but it is a more win, win on both sides that you will get the money early and it is also NHAI also saves the money so they are actually aggressively settling actually we are already settled about maybe 200 Crores worth of claims last year actually in the CCIE.
- Geeta Naik:** Sir realistically when do you expect all the other claims of arbitration to materialize if we are going by doing all that?
- Sandeep Reddy:** As I told you that, see we have about 540 claims of arbitration awards which are there and other 700 Crores in various these are different claims state governments and other things so NHAI we will be submitting only the Varanasi which is the major claim we would be submitting shortly so that will get settle also. So the other claims as I told you we are expecting before March about 100 Crores to about 200 Crores the balance I think in next two years. See what happened most of the legal process got delayed because of COVID because all the courts were not working it full thing on the online now only the courts are coming back to normalcy so I think the legal process will speed up now.
- Geeta Naik:** So around 200 to 400 Crores by March 2022 right.
- Sandeep Reddy:** Yes.
- Geeta Naik:** Alright perfect. I think that is all from my side for now. Thank you.

**Moderator:** Thank you. The next question is from the line of Palak Chopra from Kapoor Capital & Private Limited. Please go ahead.

**Palak Chopra:** Sir actually I wanted to know that what is the status of strategic investor and when are we expecting to close the deal?

**Sandeep Reddy:** The strategic investor we are in contact. He has having some issues I think some structural issues in America. He is a US based investor see basically they were I think pooling retirement assets in America and I think he is a disturbed investor somewhere he has issued he faced some roadblock in some structuring issues so he said that maybe in the next two, three weeks maximum he will complete is what he as assured us now.

**Palak Chopra:** Sir would not it be prudent to expect that this deal might not go through?

**Sandeep Reddy:** But, if, we does not got we are also alternatively talking to other investors also now preliminary in case this deal does not go through but as an investor is very confident of completing the deal shortly actually.

**Palak Chopra:** Sir and also has this investor closed any other deal in India if you are aware about that?

**Sandeep Reddy:** No we are not aware of it.

**Palak Chopra:** Sir what is plan B in case this deal does not go through like what other investments are you looking at?

**Reddy:** We are talking to other strategic investors also. There were some couple of Middle East investors. It is very preliminary actually. I cannot well I think anyway I think it comes to some fruits we can come out but in the meantime also we are discussing with the banks for restructuring some of the repayments so that to align with the cash flows.

**Palak Chopra:** Thank you Sir that was very helpful. That is all from my end.

**Moderator:** Thank you. The next question is from the line of Amanjit Singh from Oculus Capital. Please go ahead.

**Amanjit Singh:** Sir just on the strategic investor Sir. So what kind of structural issues are we facing Sir.

**Sandeep Reddy:** No idea. He has sent it from there but he is having some I think source issues from his strategic investors in the US it is nothing to do with us. He said he is having structural issue so he has not shared all the his internal details with us so I cannot answer that.

- Amanjit Singh:** But you just source which was you mean pooling of fund into his own fund you mean?
- Sandeep Reddy:** No he has sent some money he has also given us the proof of sending through the bank wire details but the wire got struck in some front wire investigation issue of his funds or something like that so that is having sorted out is what he was saying.
- Amanjit Singh:** So means Sir they wired the money to Gayatri Projects?
- Sandeep Reddy:** Yes, they are supposed to wire directly as per the terms that from US directly because they open escrow account...
- Amanjit Singh:** You already received the money.
- Sandeep Reddy:** No we have not received the money.
- Amanjit Singh:** Sir in the presentation as mentioned about personal assets monetization so could you throw some color on what is the value that we are looking at?
- Sandeep Reddy:** No, we are looking at a couple of 100 Crores actually to the infusion.
- Amanjit Singh:** Sir any timeline or something and is that contingent on the strategic investment not happening or it is irrespective.
- Sandeep Reddy:** They are working parallelly. Strategic investor is a parallel exercise. We are very keen to revise the company and I think in next couple of months we are able to put this money.
- Amanjit Singh:** Sir and Sir there were no one offs in these times margin so when do you think that you will get back to your 12%, 13% EBITDA margins will you come back in the next quarter itself?
- Sandeep Reddy:** See the one off was I think in next two, hopefully by this quarter because see what happened was one off is that one was the project recognition that was one of the thing other issue is that once the banks come back to normalcy then we will go back to the normal rate of the commission for bank guarantees and the commodity prices I think are now slowly coming back. See what cost our escalation is paid based on one quarter before that the escalation formula is not fully covering the commodity prices but now for example recently diesel has come down so like that I think once they taper down little the things improve and also some sites we got this carry forward extra monsoon and the liquidity issues, the less progress that there also I think overheads and other things are adding up so I think next quarter we should be able to come back to normalcy.

- Amanjit Singh:** Sir and the paperwork that you file with NHAI so have you received any communications when they will come in is it the site or something like that?
- Sandeep Reddy:** No, it does not work like see basically we have already started constructing with the consultant. There is an independent consultant on site choose a consultant then there is a regional officer and a PD on the site so they would actually be directly on the site so they are verifying the day today thing and then finally they have to send a recommendation to the head office so they are in the process of compiling that now and also the thing is materially it is not so important right now because basically that is only to stop us from bidding for new projects in NHAI it does not stop us from other things. So right now we have an order book of 12000 to 14000 Crores so the order is not our priority today.
- Amanjit Singh:** Sir if I may just squeeze in one question sir what is the total amount of default that we are currently in Sir I think it is a small amount right?
- Sandeep Reddy:** Default for the banks you mean?
- Amanjit Singh:** Yes, we have been regularly filing with the stock markets so those default Sir.
- Sandeep Reddy:** Yes, that is around 500 Crores overdue actually because some of it is guarantees which were invoked and all that.
- Amanjit Singh:** Thank you Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Srishti from Well Win Consulting. Please go ahead.
- Srishti:** Thanks for the opportunity. I just wanted to know the status of our other larger projects like Mumbai to Nagpur and do we have enough working capital to execute that project?
- Sandeep Reddy:** The Mumbai-Nagpur is on track actually. In fact the project should complete by I think March to June actually the majority of the project will complete by March.
- Srishti:** Do we have enough working capital I mean for that?
- Sandeep Reddy:** Yes for that project, yes.
- Srishti:** Given that you are facing the liquidity crisis and to which all projects will be fast tracked and will there be any penalties of these are delayed and not fast tracked?

- Sandeep Reddy:** There is no penalty because see most of the projects we got extension of time and we have completing but the only problem is that we have irrigation projects in Karnataka, Andhra, and Telangana where we have huge amount of receivables more than 400 Crores, 500 Crores that is where the stress is for us. So in those projects I think we will start easing our from November onwards is what they were saying this COVID has affected the state government financials completely they have last seven months they have not been paying actually, but the price will execute there is no penalty or that risk is not there at all.
- Srishti:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Shivom Revankar from Shivom Revankar Inc. Please go ahead.
- Shivom Revankar:** We understand that we are not able to bid for NHAI projects but what about Jal Jeevan Mission and those kinds of other irrigation.
- Sandeep Reddy:** We can bid for those projects, in fact Jal Jeevan Mission we have already order book is at nearly about 4000 Crores so right now there are no tenders coming out of Jal Jeevan Mission. We are expecting the existing orders. Once we come probably we are expecting maybe the new orders will come after March actually is the expectation.
- Shivom Revankar:** To strengthen the bidding process I mean are the employees at Gayatri particularly civil engineers I mean are they offer charterships and those kind of professional qualification.
- Sandeep Reddy:** I do not think so I did not understand your question chartership of professional qualification from where?
- Shivom Revankar:** No I mean there is a standard recognition for chartership once it is achieved from the institution of engineers there some professional bodies is required?
- Sandeep Reddy:** There is no requirement as far as we are concerned because most of our projects basically there is a list of engineers like project manager and material engineer with some experience those have to be approved by the client so those have to put for the prequalification of projects also which are on our structuring project manager there is a particular CV or a so the track record of our project manager or the fast track how much he has completed and he qualifies to be a project manager that is how it work there is no special charter or something required actually to any of the projects what we are bidding.

**Shivom Revankar:** Another thing was like we does not somewhat asking Rajiv Reddy one of your son and Anirudh both of them also be in the company called Einsite and lot of with researchers where I also told it deployed with IoT, I mean it uses the IoT and those technologies to you mean improvise your construction processes?

**Sandeep Reddy:** Yes, of course in fact all of the equipment we use the IoT devices and we are having online progress review and all that because of that so we are able to basically that technology what we have used is used to compile the day to day progress into our ERP so we have an ERP system on each side but the daily progress normally would have been earning in normal circumstance and the linear project would have been input by manually but now most of the major projects we have like our Odisha project and all that through these devices we get the input working hours and all the equipment data and then that gets input automatically into the ERP actually.

**Shivom Revankar:** Sir in terms of optimizing the mean in terms of cost if we see what is the saving in terms of percentages in these advanced technologies?

**Sandeep Reddy:** We have seen so much cost. We are not able to rectify it become more of an easier thing to monitor these projects so we cannot really put a cost to that cost benefit to that as of now.

**Shivom Revankar:** Thanks. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Anil Sharma from AB Capital. Please go ahead.

**Anil Sharma:** Thanks for the opportunity. Just one thing in terms of restructuring you mentioned in your initial comments briefly about the restructuring trend. So what kind of restructuring terms are we trying to work out with the banks?

**Sandeep Reddy:** We are still in the initial stage. Actually we appointed one of the four firms they are advising us and we are in the process of they are still working they have not yet concluded anything.

**Anil Sharma:** So any timelines on that Sir?

**Sandeep Reddy:** I think in next three months the restructuring should be complete.

**Anil Sharma:** Our working capital limits still operational given our default in NPA status?

**Sandeep Reddy:** Yes, they are operational.

**Anil Sharma:** Sir we are hearing that the raw material suppliers have actually encouraged our BG so how are we supposed to fund the higher BG cost and what is our strategy in terms of the project executions over there?

**Sandeep Reddy:** Some raw material see because of the cash flow mismatch because we normally give raw material for example steel, cement, and all they give a credit terms and we give a BG the credit period were extended beyond because of the cash flow got affected because of COVID and the cycle so we have also some of the BG we have to pay them back by encashing the BG.

**Anil Sharma:** Anything in terms of new project that we are bidding are we in a position to get for new ones and if you can provide the revenue guidance?

**Sandeep Reddy:** No, right now we are not bidding in fact we are not much of bidding in fact most of the NHAI projects which are coming out are all HAM projects and we are not bidding for HAM and as our other where we have our water projects as you know we have already won the projects of nearly 5000 Crores in the last two, three quarters so we are concentrating on consolidating those water projects and then we will start bidding once we able to do a little better progress there and coming to irrigation project there is not much of any irrigation tenders out actually because none of the state governments are remained in fact everything got pushed because of COVID second wave actually.

**Anil Sharma:** Sir I also ask regarding the revenue guidance for full year so if you can provide them?

**Sandeep Reddy:** Sorry.

**Anil Sharma:** Revenue guidance for full year.

**Sandeep Reddy:** Revenue guidance could be like last year or will maybe 10% more than last year.

**Anil Sharma:** Sir just lastly one thing coming back to the restructuring thing is it possible to someone to take us to NCLT?

**Sandeep Reddy:** Not really in fact we have been actively discussing with all the banks so they do not realize because NCLT is not the solution for them because we are a liquidity driven company see when banks find that you are completely insolvent then they are going to NCLT because they know that and also in EPC companies the percentage of recovery for them is very negligible because we have not much of assets so we have no issues we are only more of a



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cash flow mismatch and a liquidity issue so banks also would like to recover as much as possible why will they need to go to NCLT actually.

**Anil Sharma:** Thanks for the opportunity Sir. Thank you and all the best.

**Moderator:** Thank you. Ladies and gentlemen, as there are no for the questions, I now hand the conference over to the management for their 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, and they will be able to address any questions you may have. Thanks for your support and time.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Go India Advisors that concludes this conference. We thank you all for joining us, and you may now disconnect your lines.