



Date : 26th August, 2019

To,

The General Manager, The Department of Corporate Relations, The Bombay Stock Exchange Limited., 25th Floor, Phiroz Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	The Secretary, National Stock Exchange of India Ltd. 5th Floor, Exchange Plaza Plot No.C/1, G Block Bandra Kurla Complex, Bandra (East) Mumbai -400 051.
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Dear Sir/Madam.

Sub: Transcription of Q1FY20 Conference Call Reg.,
Ref : Security Code : 532767 & GAYAPROJ

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With reference to above subject, please find enclosed transcription of Gayatri Projects Limited for **Q1FY20 Conference Call held on August 19, 2019.**

For your information and necessary dissemination please.

Thanking you,

Yours truly,

For GAYATRI PROJECTS LIMITED

(CS I.V. LAKSHMI)
Company Secretary & Compliance officer
Membership No.17607.



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Transcript

Conference Call of Gayatri Projects Limited

Event Date / Time : 19th August 2019, 11:00 PM IST

Event Duration : 27 min 09 sec

Presentation Session

Moderator: Good morning ladies and gentlemen. I am Pavithra, the moderator for the conference call. Welcome to Gayatri Projects Limited's Q1 FY20 earnings conference call. We have with us today Mr. Sandeep Reddy, MD of the company. At this moment all participants are in the listen only mode. Later, we will conduct a question and answer session. At that time if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to handover the floor to Ms. Tanya Khosla from Go India Advisors. Thank you and over to you ma'am.

Tanya Khosla: Thank you Pavithra. Good morning everyone and welcome to Gayatri Projects Limited's earnings call to discuss the Q1 FY20 results. We have on the call Mr. Sandeep Reddy, Managing Director of the company. We must remind you that the discussions 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 can open the floor for Q&A. Thank you and over to you sir.

Sandeep Reddy: Thank you Tanya. I have with me Mr. Chandra Sekhar also from the finance department. So, good afternoon ladies and gentlemen and thank you for joining us on our Q1 FY20 earnings conference call. I hope you have seen the earnings presentation which has been uploaded on the exchange and the company's website. We have reported a strong set of numbers, which are in line with our stated guidance. Before I discuss the results in detail, I would like to share a few strategic updates.

Over the past few months we have been focusing our efforts towards monetizing potential arbitration awards and claims. We have made good progress on that front and we are pleased to announce an arbitration award worth about 9 billion towards the JV project in Nagaland. The Court process will soon start and it is expected to be completed over the next one year, post which the payments would be realized in proportion of the work completed by each partner. The award will also accrue an interest of 12% till the realization of the payment is done. And on finalization of the award claims, bank guarantees worth nearly INR 2,400 million will also be released. We have outstanding claims of more than INR 18 billion in different arbitration tribunals and courts, as GPL is exploring avenues to generate liquidity against these arbitration awards and claims. Proceeds from these will be used for deleveraging the balance sheet.

As you are aware, over the last four years we have built a strong EPC-only order book of over INR 150 billion and as of Q2 FY20 over 90% of this order book has started generating revenues. We hence have a good visibility on the earnings over the next three years, which gives us the confidence to reaffirm our FY20 guidance of 25%+ revenue growth and 30%+ PAT growth.

We would like to now briefly discuss our quarterly performance. We delivered a strong revenue growth of 20% driven by strong project execution on our road projects, which makes up 70% of our order book. Our larger road projects like Purvanchal Expressway and Mumbai-Nagpur Expressway are progressing well. EBITDA grew 8%. However, our margins were slightly lower due to weaker execution in irrigational projects in Telangana, Karnataka and Andhra Pradesh, impacted by political uncertainty. We incurred the expenses of mobilizing the sites, but we are not able to ramp up the execution because of political issues. However, we would like to reaffirm a full year guidance of 16% for EBITDA margins, as we are confident of our catch up in the following quarters. We continue to maintain a high book-to-bill ratio of over 4.2 times. With general elections falling in the middle of Q1 FY20, new bids and tendering process saw an industry wise slowdown. However, we expect the order inflows to pick up from H2 FY20 onwards and we maintain an order inflow guidance of INR 60-65 billion this year.

Before I open the floor for questions, I would like to reiterate that our asset-light model has now started delivering results, which is evident from our strong performance despite a difficult operating environment. We continue to focus on strengthening our balance sheet by reducing non-core debt and the same is expected to reduce significantly, as we progress towards monetization of arbitration claims and our investment in power assets. We are making considerable progress towards our stake sale in power assets and will inform the market in due course. With this I would like to open the floor for Q&A.

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 your question. If you would like to withdraw your request, you may do so by pressing * and 1 again. I repeat, ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

The first question comes from Mr. Raghav Kabra from Excel Investments. Please go ahead.

Raghav Kabra: Congratulations sir for a good set of numbers. I have a few questions. The first one is regarding the Varanasi. We have heard a lot of focus is happening towards the execution of projects there, as the elections are approaching. I just wanted to understand though, how things are happening there for us and are we targeting more orders from there?

Sandeep Reddy: For Varanasi area?

Raghav Kabra: Yeah.

Sandeep Reddy: This is the only question or anything more?

Raghav Kabra: Yeah, I will ask you once you answer this question. I will ask you.

Sandeep Reddy: Yeah, Varanasi projects are progressing well. We have completed nearly 75% of the job now. Still there is some land acquisition issues, like for example out of our four contracts, one contract's 18 kilometer land has now been re-scoped, because they will not give the land. So, like that, still some bits and pieces of land issues are still continuing. But, they are slowly giving it out. But, we are now confident of completing the entire project by June 2020 actually. And around Varanasi we don't see much. If new tenders come up we will definitely take up construction actually.

Raghav Kabra: Okay, got it.

Sandeep Reddy: One project in fact, we have achieved 85% completion. So, it is like that. So, we have four packages put together in Varanasi.

Raghav Kabra: Okay. And second one is regarding our irrigation projects. When do you think our irrigation projects will normalize and start contributing to revenue in line with our core projects? Are we going to see the impact of our slowdown in irrigation projects to impact our Q2 revenues?

Sandeep Reddy: No, the problem in irrigation is, I will just explain it to you. I have three irrigation projects. One is in Andhra Pradesh, which is called Chintalapudi Lift Irrigation. That project actually slowed down because of the funds problem in AP. So, we are expecting, I think, only from Q3 onwards: full swing working in that, because even Q1, Q2 it has been very slow. And coming to the Telangana projects, one project what we have is, it just started, but it is still yet to achieve the financial closure. So, they say that by the end of this month they will achieve financial closure and then they will start working in full swing. And one project we have not yet started, because still the land acquisition has not completed. And then we have the third State, with the major irrigation projects in Karnataka. It is on track. In fact Karnataka we have been able to work as per schedule actually.

Raghav Kabra: Okay. And my last question is that what could be our effective tax rate for FY20 and FY21?

Sandeep Reddy: Around 22% actually. So, slowly we are coming out. As you know that 80l is now getting over. We still have some old projects like Varanasi and some irrigation projects, they still attract the 80l and later on the future new projects will attract the full tax structure.

Raghav Kabra: Okay. So, we can assume the full tax rate will come slowly by FY22?

Sandeep Reddy: Yeah, correct.

Raghav Kabra: Okay, fine. That is all from my side.

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

The next question comes from Mr. Rachit Kamath from Anand Rathi. Please go ahead.

Rachit Kamath: Good morning sir. I wanted to know what is the net debt figure right now and what is the cash position here?

Sandeep Reddy: Sorry?

Rachit Kamath: Net debt. Net debt.

Sandeep Reddy: Net debt is about INR 1,500 cr. In the presentation if you see, it is about INR 1,550 crores.

Rachit Kamath: INR 1,550 crores, okay. And what is the cash position sir?

Chandra Sekhar: Cash equivalent?

Rachit Kamath: Cash and cash equivalent sir.

Chandra Sekhar: Yeah, that will be INR 280 crores.

Rachit Kamath: INR 280 crores, okay. Sir, actually I also wanted to know that we have a heavy exposure to Andhra Pradesh State, around 10%, 11%-12% kind of orders. And given the fact that the recent outlook has been bit weak, the way the Government has been moving after coming to power, several of the companies are seeing some setback.

Sandeep Reddy: No, we don't have any setback, because our exposure is only one project, which is actually called Chintalapudi Lift Irrigation Project, which is one of the oldest projects, which was actually awarded at the time of Y.S. Rajashekar Reddy. And then just because the land acquisition got delayed so much and then finally they remodeled the whole thing and they have given it to us again at the older rate. So, our project is not in the list of these issues, which you have been hearing in the press actually. The only issue is that the fund, the Government is still yet to release all the funds, because of that the projects are all in limbo now. That is the main problem.

Rachit Kamath: Okay. So, you are expecting that it will be done by Q3?

Sandeep Reddy: Yeah, yeah, we are expecting by the end of this month itself they want to release all the balance payments and then we are going to, after monsoon I think we will start in full swing again.

Rachit Kamath: Okay, sure sir. So, post monsoon we should look at something?

Sandeep Reddy: Yeah, our project is already more than 25% complete. The only issue is that cash linked projects which are being given and not grounded and also

below 25% billing has been done, those they are again rethinking and then trying to do all that. Ours are already done more than 25%, so they can't afford to.

Rachit Kamath: Okay, sure sir. I understand. Sir, my second question pertains to, can you tell me how is the progress going on in some of the bigger projects like Nagpur-Mumbai, Purvanchal?

Sandeep Reddy: Nagpur-Mumbai we have achieved the first milestone. And Purvanchal is also on track. In fact we are trying to achieve six months earlier completion actually. Purvanchal is an old thing actually.

Rachit Kamath: Nagpur-Mumbai is second milestone and Purvanchal?

Sandeep Reddy: Nagpur-Mumbai 2nd milestone will be completed in December. The first milestone as per the contract, we have achieved that. In that project also, 100% land has been given. So, the project is progressing as per the schedule.

Rachit Kamath: Okay. And then in Purvanchal we are aiming for six months early completion bonus, is it?

Sandeep Reddy: Yeah.

Rachit Kamath: Okay. Sir, what kind of CAPEX you are looking at for FY20 and what you have incurred in Q1, if any?

Sandeep Reddy: Q1 we have done INR 21 crores. As with the present orders, we may add another 40 crores-50 crores additional CAPEX actually.

Rachit Kamath: Okay. So we have already done 21 crores and you are going to do 40 crores-50 crores more. Is my understanding right?

Sandeep Reddy: Yeah.

Rachit Kamath: Okay. And sir, you are looking at around 60 billion-65 billion kind of orders. May I know what is the avenue of order like? What are the segments?

Sandeep Reddy: The major segments would come from roads, which again NHAI EPC pipeline is going to start from next month. We will bid for the projects. So, mainly we are concentrating on the roads. And in the same ratio, irrigation projects, for example, now Madhya Pradesh has come out with some irrigation projects. And Karnataka is still tendering out some few projects. So, we will continue to bid for these projects, water and irrigation, which we are expecting to do. So, we will have probably the same ratio of orders actually, 50%-60% of roads and the balance is irrigation and mining also.

Rachit Kamath: Okay, 50-60% roads and balance is irrigation and mining, okay. And sir, are you planning to participate in the UPEIDA projects by any chance?

Sandeep Reddy: Sorry?

Rachit Kamath: UPEIDA, the Gorakhpur link etc.

Sandeep Reddy: Yeah, of course we are going to bid for those also. Those are also on the pipeline, Gorakhpur link etc.

Rachit Kamath: So, what kind of a total bid pipeline is there for us right now?

Sandeep Reddy: As I told you, these are the projects in the pipeline now. NHA pipelines have just started slowly trickling in. In fact, I think as of now, there are about INR 1,000 crores of NHA projects, which are in the pipeline. And then we have some few Airport Authority tenders, which are coming, which we are also bidding. So, there are a number of, there is so many trickling in, I think the major bidding will start I think after October.

Rachit Kamath: Okay. So, after October you will see the major bidding activity happening. Sir and one last question pertains to the claim, regarding this INR 900 crores of claims. Can you throw some light as to which project was this regarding and what was the issue?

Sandeep Reddy: Before this Nagaland project, the joint venture with IL&FS Engineering which we had done and this project has been lingering for the last seven-eight years. They actually pre-closed the project due to change in the duration of the DPR and all that. So, we have done lot of work there and they have not paid us and the whole dispute was settled now. So, we have approximately, our share is about 50% in that.

Rachit Kamath: So, around INR 450 crores.

Sandeep Reddy: Yeah.

Rachit Kamath: So, will the authority now again fight for this, will appeal this claim in the higher courts, so do you see any issues?

Sandeep Reddy: No, the process is that once we win this arbitration award, now they will go and appeal in what we call the Section 34 in the court and we will also put an executive petition to execute. So, now the whole court process should take anywhere between six to twelve months now.

Rachit Kamath: Six to twelve months. Sir, do you see the authority also capable of doling out such a big lump sum amount at one point, because now this INR 900 crores, they will also have to pay you 12% interest?

Sandeep Reddy: Yeah, this is funded by the MoRTH. So, they have to pay you.

Rachit Kamath: Okay. This money will come from the MoRTH and not from the State Government?

Sandeep Reddy: No, it is not a State Government project. This is funded by MoRTH actually. MoRTH has the money and that is why there is no risk of any money not coming.

Rachit Kamath: Okay, fine. And sir, what kind of...

Moderator: Sorry to interrupt. Sorry to interrupt Mr. Rachit.

Rachit Kamath: Sure, sure.

Moderator: Thank you sir. The next question comes from Mr. Ashish Agarwal from Principal Mutual Fund. Please go ahead sir.

Ashish Agarwal: Yes sir, actually a couple of questions. Just wanted to understand in your projects, is there any land acquisition issue apart from the irrigation project which you spoke about?

Sandeep Reddy: As I told you minor land acquisition still continues in Varanasi. That is why if you look at our whole order book that is the major delay. And we also have another project called Angul – Sambalpur, there also they have forest land of nearly 30% of land was not given even now. So, that got sorted out. And now there is a lot of variation which is proposed by the forest, which the NHAI is trying to resolve now. So, there also the work was muted. So, otherwise the NHAI projects, the land is not a major issue now. But, the main issue is, two major projects which are the Nagpur – Mumbai and Purvanchal, we have got nearly 100% of the land, because that is the advantage of being a Greenfield project. So this irrigation project, one small project which is about, our share is about INR 700 crores, there the land acquisition has just been completed. In fact it was delayed for the last three years by the Telangana Government.

Ashish Agarwal: Okay. And these three projects of BSRDC and this tunnel work at Khambataki Ghat, there is no issue as far as the land is concerned, so these can begin?

Sandeep Reddy: No, not at all. Khambataki Ghat has started now. In fact if you look at Khambataki Ghat, the tender was more than a year old, because we could get started because of land issues. Now, NHAI has now taken a view that they will not give the tender with land issues.

Ashish Agarwal: Okay. And lastly on this asset monetization stage, so one is your claim side and the second is your power thing. So, power thing what is the timeline we are looking at? Is there any timeline, which we have fixed on the power side?

Sandeep Reddy: It is all in the advanced stages and it is difficult to tell. It could happen in a quarter. The power thing could happen in a quarter, but the claims could take a couple of quarters actually, because definitely we would try to do the monetization in this financial year.

Ashish Agarwal: Okay. And last thing on this net debt issue, in the presentation I think it is written net debt at the end of FY19. What would be the net debt at the end of June?

Chandra Sekhar: Net debt would be around INR 1500 crores.

Ashish Agarwal: 1500, okay. Got it. Thanks a lot.

Moderator: Thank you sir. The next question comes from Mr. Rohit Natarajan from Antique Stock Broking. Please go ahead.

Rohit Natarajan: Thank you for allowing me to ask questions. I just have this query on Gayatri Highways. I understand that this is Gayatri Projects. But, I just wanted to know what is the situation of claims over there. How much we have made and how much is won and how much is received?

Sandeep Reddy: Gayatri Highways as I told you, Gayatri Projects has only 26% stake. But, we have indirectly loans and advances too where the money has to come back, so basically all the investments. So, we have won claims in two annuity projects. Last year we won about INR 95 crores of bonus claim, where part of the money, we have realized the entire amount. And some more claims are pending. And also one of the major claims we are expecting in the next two months is of this other company called Western UP Tollway, Meerut-Muzzaffarnagar where we are a joint venture with Nagarjuna, which we have sold the asset about two years back, but the claim was to our account. But, the claim is in the advance stage. We could win another INR 300 crores to 400 crores of claim there.

Rohit Natarajan: Okay. Sir, if I understand, what is the aggregate, total claims to be made in Gayatri Highways? How much are the total claims made? I am talking about Highways against this NHAI authority, where the concessioner agreement is signed with?

Sandeep Reddy: That is what I am saying. We have already submitted in the advanced stage, about INR 300 crores to 400 crores. And further now we are submitting claim for Indore-Dewas project of about INR 700 crores SMPL. So, maybe 1,000 crores of claims we will be submitting shortly.

Rohit Natarajan: Nearly INR 1,000 crores will be submitted shortly?

Sandeep Reddy: Yeah. And then we have also maybe another INR 800 crores. So, most of these claims are for delayed land and increase in IDC cost actually and also loss of revenue and all that.

Rohit Natarajan: Sure, I appreciate that sir.

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

Next question comes from Mr. Manu Pande from Infinity Alternatives. Please go ahead.

Manu Pande: Hi, congratulations on a good set of numbers. Just wanted to understand, assuming all your monetization of power assets and the arbitration all will go through, what would be your guidance for the net debt number as of March 2020?

Sandeep Reddy: It will come down below INR 1,000 crores. On a consolidated level, we have INR 200 crores of the consolidated debt added to this

standalone number. So, if you really look at it, as I told you, we have INR 1,550 crores plus another 200 crores, so maybe INR 1,750 crores. So, out of INR 1,750 crores, we are targeting at least INR 700 crores-800 crores. So, it will go below INR 1,000 crores actually, our debt. That basically then we will have only working capital debt, that is it.

Manu Pande: And the difference between that INR 15,000 million and your total debt maturity profile number of around INR 9,000 million is?

Sandeep Reddy: You are talking about millions or crores?

Manu Pande: No, I am talking on the presentation, if you see the debt maturity profile.

Sandeep Reddy: No, debt maturity profile what we have shown is, this is every year we are repaying about INR 200 crores. If you see, out of this INR 1,543 crores, includes the working capital and term loans. So, this is standalone repayment of INR 200 crores, so technically by FY23 we will become below INR 1,000 crores level actually.

Manu Pande: Okay. Thanks.

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

Next question comes from Mr. Ashish Gupta from Gold Fish Capital. Please go ahead.

Ashish Gupta: Hello sir. Sir, I can see in your presentation a net debt of around INR 1,500 crores as on FY19. And as you mentioned you have a net debt as on June of around INR 1,500 crores. But, when I see your finance cost on the quarterly basis, it is INR 52.6 crores as on quarter ended March 2019. However, it has increased to INR 64.33 crores despite a decrease in the net debt figure. This is despite lowering interest rate scenario in the country. So, any specific reasons why?

Chandra Sekhar: The interest rates have gone up. And further BG commissions have been increased.

Sandeep Reddy: Our interest includes our finance charges also. So, in fact, on our BG commissions, banks have increased the commission and all that. Earlier we were enjoying much lower rates, but with the banking sector in problem, they are all jacking up the prices.

Chandra Sekhar: And the equipment and all came in April, whereas the repayment of loans was done in somewhere around June.

Ashish Gupta: So, what is your gross, on a gross basis if I see, on the gross debt, what is the average borrowing cost for the company?

Sandeep Reddy: Around 13%-14%.

Ashish Gupta: 13%-14%, okay sir. Thank you.

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

Next question comes from Mr. Nitin Gandhi from KIFS Trade Capital. Please go ahead sir.

Nitin Gandhi: Hello. Can you share some thoughts on re-pricing of your debt and how your rating discussions are going on? When is the next change of rating due? And what are their convenience fees for rating up, change or upgrade or whatever it is?

Sandeep Reddy: So, once you monetize and reduce the debt, because we have also some amount of, because they still feel our debt profile is high, unless we monetize all these assets, I think the rating will not improve. So, we are actually now, we have improved, last time from BB- to BB+ now. So, we are hoping for probably in the next six months we will improve to BBB actually. But, once we are able to really bring down the debt-equity to below 1x, then I think we can have a drastic rating improvement.

Nitin Gandhi: That will be June 2020.

Sandeep Reddy: Yeah.

Nitin Gandhi: But what will be the corresponding effect on your borrowing cost, which is right now 13%-14%?

Sandeep Reddy: It will come down to maybe 11%.

Nitin Gandhi: So, with BBB will it go to 11%?

Sandeep Reddy: I think 11-12% at BBB. It all depends on the banking sector. Today the interest rates are not coming down, even though the RBI keeps saying that we are bringing down the repo rate, where are the banks bringing down the rates.

Nitin Gandhi: Are they MCLR linked?

Sandeep Reddy: They are linked to the MCLR, but they are not registering the spread. Banks are trying to squeeze on the spreads actually.

Nitin Gandhi: Okay. Wish you all the best.

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

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

Sandeep Reddy: I would like to thank all of you for attending this earnings call of Q1 FY20 of Gayatri Projects. I hope we have answered all your queries. And in case if you have some more queries, you kindly inform Go India Advisors and then we could

give you more specific answers, if at all we have not been able to fully answer all your queries. Thank you.

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

Note:

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