

February 11, 2021

To The Secretary, Listing Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Maharashtra, India Scrip Code: 532767	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 Scrip Code: GAYAPROJ
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Dear Sir(s), Madam(s),

Sub: Q3FY21 Earnings Conference Call

With reference to our letter dated February 05, 2021, please find enclosed **transcript for Q3FY21 Earnings Conference Call held on February 09, 2021 of Gayatri Projects Limited**. The same shall be hosted on Company's website at 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 of Gayatri Projects Limited

Event Date / Time : **9th February 2021, 12 Noon**

Event Duration : **47 min 21 sec**

Presentation Session

Moderator: Good morning ladies and gentlemen, I am Moumita, moderator for the conference call. Welcome to Gayatri Projects Limited Q3FY21 earnings conference call. At this moment, all participants are in 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 hand over the floor to Mr. Ankit Toshniwal from Go India Advisors. Thank you and over to you sir.

Ankit Toshniwal: Thank you. Good afternoon everybody and welcome to Gayatri Projects Limited earnings call to discuss the Q3FY21 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 Ankit. Ladies and gentlemen, thank you for taking out time to join us for our Q3FY21 earnings call. We have uploaded our earnings presentation on the exchange and the company website. I hope you have been able to view the same.

I will now quickly touch upon a few strategic updated points. During the quarter significant progress has been made on deleveraging and long-term debt payments. Inflows received from claim and award monetization have helped reduce long-term debt by almost 23%. Subsequently our credit rating has improved from D to B stable. Coming to our quarterly operational and financial performance all our sites are operational fully and execution has improved significantly. During Q3, execution rate was up 30%. On the project front, following are the updates: Purvanchal Express Way is ahead of schedule. Varnasi NHAI cluster witnessed strong execution and the project is nearing completion. Telangana Irrigation project execution pace has been maintained. Execution at Orissa NHAI cluster picked up pace during the quarter. All other projects like Mumbai-Nagpur Expressway, Jammu Ring Road are on track. Our strong project pipeline gives us good revenue visibility. Since the beginning of Q3FY21 we have received order inflows worth 35 billion and it takes the current order book to bill ratio of 3.7:1 and would like to reiterate that this is a pure EPC order book with zero exposure to HAM. Our strong operation performance drove our financial performance and our top line during the quarter grew 29% year on year. Our EBITDA margins were in line with our guidance at 14%. Our balance sheet was significantly strengthened this quarter. While there is a slight increase in interest cost, this quarter we expect

significant interest cost savings in the coming year on account of reduction of high cost debt and improvement in credit ratings. Going forward, we expect to maintain the same rate of execution in Q4. We met our order inflow guidance of Rs 30 to 40 billion and we will be maintaining an EBITDA margin at a minimum of 13% to 14%. With this I will open the floor to 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. Should you need assistance during the conference call please signal an operator by pressing * and then 0 on your touchstone telephone.

Sir our first question comes from Mr. Agastya Dave from CAO Capital. Please go ahead sir.

Agastya Dave: Hello Mr. Reddy, hi Ankit. Thank you for the opportunity and congratulations for a pretty decent execution. So I had a number of questions and I will ask them one by one I guess. Again congratulations on the execution improvement. Could you now guide us on the aggregate interest cost and how they will move over the next three, four quarters? When will we see the maximum reduction in interest cost reduction in our P&L.

Sandeep Reddy: I think as you rightly said we are expecting to further reduce the long-term debt further. If you see our debt maturity; this year naturally we are supposed to reduce about 220 crores in FY22 and we may further reduce more than that. With that we will come down to that extent.

Agastya Dave: Sir my question was more on the interest rate.....

Sandeep Reddy: Interest rate....currently our average interest rate is around 10% to 11% actually going forward in this quarter onwards. We have been able to negotiate with most of our bankers that from 13% interest rate it has come down to 10% to 11% now.

Agastya Dave: Right. Any negotiations on the bank charges because those have also kind of shot up right....?

Sandeep Reddy: When you say bank charges it is mainly the bank guarantee commission. It is still lower than the normal market of 3% So we are still paying about 1.2% to 1.4% which used to be earlier around 0.6% but you know we are continuously negotiating with them probably our credit rating target is that in the next three quarters should increase by another two notches then we....

Moderator: Ladies and gentlemen please stay connected while we connect the management team back on the call.

Sandeep Reddy: Mr. Dave?

Agastya Dave: Yes sir, the next question.... You were mentioning something about more credit rating improvements and then the line got disconnected. So if you can continue...

Sandeep Reddy: When credit rating improves, then we will go back and we will be able to have a better negotiation with the banks to further reduce the bank charges.

Agastya Dave: Right. So that will happen over the next 12 months or are we expecting.....

Sandeep Reddy: Next two to three quarters we are hoping. Even now our average bank charges are only 1.2%.

Agastya Dave: Right. Sir my next question was on the state of your balance sheet with respect to working capital, receivables and also the increases that we have seen in steel, so....

Sandeep Reddy: Can you repeat? Increases....?

Agastya Dave: We have seen in the prices of steel and cement. So on all these three counts how are the negotiations with the clients....are you all able to pass on the prices, are you getting the receivables on time, are they delayed....?

Sandeep Reddy: No, all are contractor escalation formula. So the steel actually has gone up only in this quarter. That is the October to December quarter steel had gone up but going forward again I think already steel prices have started coming down and it is all based on index actually. So as per index we get paid the difference.

Agastya Dave: That index is the wholesale price index sir?

Sandeep Reddy: For steel there is a separate wholesale price index. Steel, cement, bitumen, diesel and all that.

Agastya Dave: And sir what about on the receivables side? Are the payments coming on time from all the clients that you have.....?

Sandeep Reddy: I will tell you, receivables are only mainly payments that are delayed only from the State governments. We have only three state governments which are paying us which are irrigation projects in Andhra, Telangana and Karnataka. Those are getting delayed. But road projects, our clients are NHAI and two state governments, Maharashtra where Samruddhi Expressway and Purvanchal in UP. Even though those two are state governments both are fully funded by banks so there is no delay in receivables in those two projects.

Agastya Dave: Right. So no incremental problems expected from AP, Telangana and Karnataka right?

Sandeep Reddy: Not at all. In fact they have actually started paying. In fact AP, Telangana have improved but earlier we were delayed by six months, now we are delayed by three months.

Agastya Dave: Got it. So final question on this part, how much free cash flow would you generate this year? How much money that is tied up in your working capital....how much of that will come out?

Sandeep Reddy: Working capital days is about 93 days for nine months, so.... It has slightly gone up compared to last year mainly because of the COVID effect but I think in the fourth quarter we may improve further. It may not come back to last year's level but....currently it is 93 is our net working capital days.

Agastya Dave: Can we expect 80 days next year?

Sandeep Reddy: Of course, definitely, next year definitely because in the past also we have achieved...FY19, FY20 64 days and 62 days. So we will go back and if you see our average, has been about 78 days; so we will come back to 80 days.

Agastya Dave: Great. Sir I have one more question, should I ask it now or go back in the queue.....

Sandeep Reddy: Please do.

Agastya Dave: On the presentation, now for two, three quarters you have mentioned that your onsite capacity is...and the mobilization is enough to generate 5000 crores of revenues. So are you going to....and you have also won quite a lot of orders and 3500 crores which have come in that, already you are meeting your guidance for the entire year. So can we expect a better execution next year? Can you cross 4000 crores next year?

Sandeep Reddy: Definitely it will be much better execution. If you see our present existing order book, other than old orders which is about 9500, the majority of it has to finish within six quarters. In the 9000 there will be still some last mile, some service roads; land acquisition issues will be there. The main thing is to complete and all those. So 90% of that order book has to be completed at least in six quarters. So definitely next year we will have a much higher execution capability in addition to the new orders what we have won, has to be done.

Agastya Dave: I have one more question but I will go back in the queue. Thank you very much sir.

Moderator: Thank you sir. Ladies and gentlemen if you have any questions please press * and 1 on your telephone keypad. Our next question comes from Mr. Anil Sharma from AB Capital. Please go ahead sir.

Anil Sharma: Hi sir, congratulations on a good set of numbers and thanks for the opportunity. I just had a couple of questions I wanted to ask. First in terms of awards and consultation front, you have received around 278 Cr in Q3. So how much more are we targeting now on those front in the coming quarters or probably the financial year complete and if you can share the timelines for the same as well?

Sandeep Reddy: This financial year we are targeting additional a couple of 100 crores is the calculation this year. From next year I think another two, three hundred crores actually. It is an ongoing project.

Anil Sharma: Okay so 200-300 crores is for FY22 right?

Sandeep Reddy: Yes, 300 you can take as our expected reconciliation.

Anil Sharma: Okay. One more thing I wanted to check sir; so you had a strong order inflow in Q3 and you have already surpassed the inflow guidance for this year? You have already met that; so is there any scope of....are you kind of expecting further order inflow in Q3 or what will be your target?

Sandeep Reddy: In Q4 we are expecting further orders actually. We are expecting further orders, maybe a couple 1000 more actually. We are committing a number of things. Things are going on so I don't foresee, maybe the orders will come into Q1 of next year but they may open the tenders before March because NHA packages, a number of bids we have submitting actually. Even yesterday we submitted about four bids.

Anil Sharma: Okay. One last thing sir, I missed something on the interest that the earlier participant was asking. On slide number 11 it is written that interest cost will be reduced and will be saved. I just wanted to check how much interest cost will be saved on a yearly basis and how soon can we expect the same to be reflected in the books as well.

Sandeep Reddy: One is that our last year's interest cost was around 12%, 13%. Now we have reduced it to 10% to 11% for all our bankers. And as you say, long-term debt if you go by normal repayment it is about 200 crores. Our aim is to further reduce it. If you see our reasonable schedule of long-term debt, this year about 200 crores has to be reduced. So on 200 crores if it is reduced we will save interest cost on an average about 10-15 crores this year. On the total debt we are able to save another 40-50 crores. I think around 50-60 crores of interest rate reduction may happen at the current debt level next year.

Anil Sharma: Okay, thank you sir.

Sandeep Reddy: Are there any question or you have any other doubt?

Anil Sharma: No, no that's all from my end sir, thank you.

Moderator: Thank you. The next question comes from Preeti Singh from Value Investments. Please go ahead.

Preeti Singh: Hello, thank you for the opportunity. Sir I have a couple of questions. My first question is I saw that currently your long-term debt stands at around 530 crores, so what is the level of debt that we can expect by the end of FY21?

Sandeep Reddy: FY21 I think additional 40 crores will come down.

Preeti Singh: Okay so that will be around the levels of 490-500 crores, is that right?

Sandeep Reddy: Yeah.

Preeti Singh: Okay. My second question is, can you name some projects which are like nearing completion and what will be the completion date?

Sandeep Reddy: Purvanchal Expressway we have both the projects, Lucknow to Purvanchal Expressway what we are doing. We have already completed majority of it. We are hoping to complete at least provisional completion by June, is our target and our entire completion by August actually which is about six months ahead of schedule. The EBITDA has been taking into account the delays of COVID. Today we have been given six months extension for all our projects because of COVID related delay. But in Purvanchal inspite of COVID we were able to keep up to the schedule and ahead of schedule.

Preeti Singh: Okay right. I also noticed that your order book is skewing towards the irrigation projects from the road projects; so are you changing your focus towards irrigation?

Sandeep Reddy: No, not really. When I say road projects, earlier we won the water projects....actually we have clubbed both; maybe from next time onwards we will separate out irrigation from the water supply. Old irrigation projects are still continuing and that has been a very slow order inflow because all state governments are to fund those, so funding is an issue. We have entered into the water supply projects which we won in UP, two projects last quarter and this quarter also we have won. So totally in water itself we have won nearly about 2500 crores of water – that is water grid project. So we have been trying to diversify into water supply because that looks like a huge....like Jal Ganga Basin and Prime Minister has put a lot of thrust on it and every state government is coming out with those projects and funding is fully tied up for those; so we are concentrating on those projects along with roads. Roads, we only concentrate on EPC but as you know we have nearly 300 crores of equipment which will get free in the next one year and so we will become more aggressive in bidding after six months in roads actually. Right now we don't want to aggressively bid in roads. We are bidding at our own pace and if we win, we win.

Preeti Singh: Okay thank you, I got it. I have one last question. Your EBITDA margins used to be closer to 16% but now it has come down to 14%. So when can we see the improvement again?

Sandeep Reddy: I don't think we will have an improvement. Now that our bids are changing. Earlier we had more of road projects and that is why our EBITDA margins were higher because more of equipment and all which is capital intensive. Now we are shifting more towards projects. In water projects EBITDA will be much lower....slightly lower because it is more material supply and all that. Probability will be the same but EBITDA margin.....water does not have much depreciation at all.

Preeti Singh: Okay, I got it, thank you so much, that's all from my end.

Moderator: Thank you. Ladies and gentlemen if you have any questions please press * and 1 on your telephone keypad. Our next question comes from Mr. Ashish Kumar from Infinity Alternatives. Please go ahead.

Ashish Kumar: Hi sir, congratulations for bouncing back strongly from the COVID impact. I have a couple of questions. One was in terms of the capex plan. Now

that we have won all these orders in the water, what will be your capex over the next 15 months this year and full year?

Sandeep Reddy: Water projects don't require any capex at all. So we have only one road project 1300 crores; capex maybe 10, 20 crores. It is incremental capex actually because majority of our equipment is getting freed from the next two, three quarters and those will be deployed into the newer road projects actually. We will only add some balancing equipment actually.

Ashish Kumar: Okay so basically your entire EBITDA will be available for debt servicing and working capital. Second question was in relation to the fact that you are going from 2500 crores to 5000 crores turnover in the next year or maybe even higher because if I look at the project schedule, almost 8000-9000 crore targets are getting finished in the next five quarters. So in terms of the working capital which is sort of get stuck into that, how much do you think it will be? Will it be the....?

Sandeep Reddy: If you see last quarter our working capital went up by....but our long-term debt has come down which is actually credit rating so credit rating people are okay. Working capital is basically because of the increased order book volume, we were able to take more working capital and banks have also come forward and funded us actually because of that. So going forward I don't think.....

Ashish Kumar: When is our next working capital renewal due?

Sandeep Reddy: Normally we apply in June actually after we finish the financial year.

Ashish Kumar: Okay. So one can expect the working capital debt to go up again next year a little bit?

Sandeep Reddy: I don't think....we will try to maintain at the same level actually. We can manage more or less at this level.

Ashish Kumar: Okay. And in terms of the Sembcorp we had this upside option on monetization of assets. Any likelihood of anything coming in the next 12 to 18 months from there?

Sandeep Reddy: Actually it should come in the next couple of years because we have the thermal power where we are in the advanced stage of closing the TPA. Once the TPA comes, there is a possibility to monetize the thermal assets and the renewable assets Sembcorp has already commissioned fully 1800, they have won recently solar at Rs.2 at 1000. They want to ramp up the renewable much more and then go for monetization. So maybe next one year they will do one monetization of thermal asset and maybe after two years renewable. So our understanding with them is we get a part of it. If they do the entire monetization we get the difference, or if they only do the renewable we get some portion of the renewable and for the thermal.

Ashish Kumar: So you expect that in the next 12 to 18 months some cash flow may come?

Sandeep Reddy: Yeah.

Ashish Kumar: Okay and going back to the whole thing about margins that you are saying because what we hear from some of your competition is that the competitive intensity is kind of coming down now because there are larger number of orders from NHAI as well as non-NHAI....

Sandeep Reddy: Competitiveness has not come down at all, I don't know who told you. In fact, NHAI's competition has increased tremendously. They have reduced the criteria for pre-qualification. So now people....number of bidders coming for EPC are like 20-30 bidders actually.

Ashish Kumar: Okay but in terms of the larger players getting orders from Metros etc., any plans for us to diversify into Metros or some of the other...?

Sandeep Reddy: That's why if you see the new NHAI order which we won, Delhi-Saharanpur, it is actually an elevated road. Elevated six-way expressway for about 11. So we are actually concentrating on more value addition and more technical jobs like urban infrastructure projects than instead of pure roads because pure roads have become very commoditized now. So we are looking more of urban infra structure and also Metros. Metros there is a problem of getting qualified. So we, probably after the next two quarters will get qualified on our own actually for Metros because our other bridges are getting completed. Once those bridges get completed, we get qualified.

Ashish Kumar: Okay, so would the next diversification would be urban infrastructure is that a clear thought process to look for in the next....

Sandeep Reddy: Yeah, urban infrastructure is one of our next diversification. It is a natural thing. If you go for a standard road project, it also involves 50% structure in any road project. We are looking more at concentrated structure project where road is there. Delhi-Saharanpur is about 14 kilometers, out of it 11 kilometers is structure and 3 kilometers is road.

Ashish Kumar: Right. And would that lead to our margins going back to the 15%, 16% margins or....

Sandeep Reddy: Margins won't change, risk is there. I'll tell you, some of these structures the capex requirement is much less than the pure road play project. So what happens is if there is any delays, land acquisition delays and other issues, the risk and the margin reduction is more on those projects. In these more technically oriented projects, we can maintain the margins better. The delay risk is less actually.

Ashish Kumar: In the notes to account you are talking about two, three reconciliations which are happening. What do you think are the sentiments for those....?

Sandeep Reddy: One of the major reconciliation is the Sai Maatarini we had terminated. NHAI is in the advanced stage of reconciliation. Termination payment we are negotiating with them.

Ashish Kumar: Right, so you expect that in the next....let's say by June you should be able to sort out....

Sandeep Reddy: Ashish Kumar: I think by June it should get settled actually.

Ashish Kumar: Okay thanks a lot. All the best.

Moderator: Thank you sir. Ladies and gentlemen of you have any questions, please press * and 1 on your telephone keypad. Our next question comes from Mr. Subrato Sarkar from Mount Infra Finance. Please go ahead.

Subrato Sarkar: Hello? Sir I just want some color on the difference in the...like our business in terms of margin as well as receivable days in terms of now that we are bidding more on the water related project sir, so how is this different from road project in terms of both margin and receivables sir. It will be great sir if you can give some break up on the major project basis at least on the water side like what is our expectation on the receivables side sir.

Sandeep Reddy: The difference between road projects...in road projects the EBITDA is about 15 plus because it is much more....when you say EBITDA, more equipment, more capital. So in water projects it will be 13% to 14% actually. About 70% in the water project is actually material supply and the construction component is much less. In construction component EBITDA will be much higher compare to the supply of materials. Coming to receivables, though the water bodies we are concentrating only on the Jal Jeevan Mission where the funding is fully tied up; so the receivables will be within 60 days just like any road projects with NHAI and all that. Normally when we submit a bill for 30 days then the bill processing goes on and before the end of next month we will get the bill. So technically it will be around 60 days.

Subrato Sarkar: So we are not expecting any bump up from the working capital side in terms of water projection?

Sandeep Reddy: Bump up means?

Subrato Sarkar: Increase in working capital deals in terms of like...

Sandeep Reddy: Not at all. In water projects no increase in working capital.

Subrato Sarkar: And sir most of our water projects are like that only, because why I am raising the point sir, because the major problem which you are mentioning on the irrigation projects where we are taking....

Sandeep Reddy: There is a difference between....I think when you say water....I think maybe next time we will do....we'll separate out, I think we made a mistake. When we enter, water involved.....irrigation is different from water supply. Irrigation the clients are state government; directly from their own budget where they don't have money and they always delay by three months, six months to pay the money. These water projects in which we are focusing is only in the state of UP where they are spending from the central government the funding comes. So it is a fully funded project.

Subrato Sarkar: Is it a budgetary fund? How are these projects funded basically?

Sandeep Reddy: I don't know. They are called Jal Jeevan Mission; they are funding through central government and state government. The funding is fully tied down.

Subrato Sarkar: Okay sir, thank you sir.

Moderator: Thank you sir. Ladies and gentlemen if you have any questions please press * and 1 on your telephone keypad. Our next question comes from Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Good afternoon sir, thanks for taking my question. One question on these water supply projects; so I understand once you get the order, you are required to prepare the DPR and submit and then only you will be able to start working on the ground. So how long would it take us to be able to start booking numbers from....

Sandeep Reddy: We have won about six water projects; out of that three water projects were not DPR. Those are directly what is called as surface water, which already execution has started. There we have to only do the survey and supply and submit the design and once the design is approved we do it. Coming to your second question about doing the DPRs and all, those we have won about 1700 crores. Those 1700 crores we are hoping to start actual execution from April onwards. It takes about two months to do a DPR and get approved and all that.

Prem Khurana: Would there be any difference between these two kind of I mean surface water and by then you would be required in terms of margins would you get to see any difference or the margins would remain the same? Because when you are doing the DPR, there is some kind of design component also involved.

Sandeep Reddy: DPR projects have a little better margin because they have better terms actually. It is less risk because it completely involves within the village and we are able to execute faster. The other water supply projects they may be not so good from the river ring intake, sometimes the irrigation fellow has to give permission for river intake, there may be some delay there. So there are some other extraneous factors. Here everything is in our control.

Prem Khurana: Sure. How about the mobilization, as much as (not sure) mobilization because I think there are....you have options to take 10% mobilization and these are supposed to be....

Sandeep Reddy: In fact in the second one we get interest free mobilization ones actually.

Prem Khurana: Okay. And sir on your revenue guidance for the year, when I look at the presentation it says 0 to 5%. When I look at the 9 months' numbers, if it is slight, then you have to do around 800 odd crore rupees kind of number and if it is 5%, sequentially there appears to be some kind of decline we have been building in our Q4 revenue, so are we....?

Sandeep Reddy: Q4 revenue will be as good as Q3 or a little better actually.

Prem Khurana: Sure. So the guidance we have still not revised in our presentation it seems because when I look at 5% growth, it still works out to be more than that.

Sandeep Reddy: 5% year on year growth...for the whole year.

Prem Khurana: Yeah, what I am doing is, I am taking FY20 numbers, multiply by 5% and then address for 9 months and the Q4 number works out to be lower than Q3 which is why I want to understand are we facing any challenges in any of these which is why this guidance or....?

Sandeep Reddy: We want to be conservative and do better actually. I think we may even do better. FY21 will be much better than last year. 9 months we are more or less more than 2% above last year 9 months.

Prem Khurana: Yes, sure sir thank you; that's it from my side. Thank you.

Moderator: Thank you sir. Our next question comes from Rachit Kamat from Anand Rathi.

Rachit Kamat: Hello? Thank you for taking my question. My first question is basically to understand on the margins. Even though you have kind of explained to us very nicely our margins will eventually come to 13%, 14% because of the rise in non-road orders. Given that this quarter I mean water supply orders are not yet gotten operational to that extent; our margins are still down in terms of 13.6%. Initially in Q1 and Q2 we had this additional cost and COVID issues; so I just wanted to take your....

Sandeep Reddy: One thing that happened in this quarter was that the margins...we had ramped up our manpower cost if you have noticed because we have ramped up to do at least 1500 to 1700 per quarter; so we have ramped up and mobilized some amount. So to that extent we take them into expenditure. Second, steel and cement has gone up a lot in this quarter which I think we'll get the escalation only after three months. In most of the escalation formulas, you get 3 months from the index, so there is a little problem in that in the sense that three months back index the price was much lower even though this month I have to pay more, I am not getting compensated fully for the escalation but that will get compensated next month. So that is how the margin was lower this year. One is that we have ramped up more and fixed costs have gone up more. If you look at even our balance sheet, our salaries costs have gone up also.

Rachit Kamat: Sure sir. My second question was actually pertaining to the fact the more orders that we are looking at right now that you said stands at 1000 or 2000 crores; will that be more on the road side or from the water supply side?

Sandeep Reddy: Mostly road.

Rachit Kamat: So what will be your FY22 guidance on inflow sir?

Sandeep Reddy: For revenue?

Rachit Kamat: For inflows and revenue sir.

Sandeep Reddy: Inflow FY22 also will be around 4000-5000 crores. Our order target to do is to do about 5000 crores. Revenue would be at least....now everything goes well, maybe 20%, 30% growth in revenue in FY22 actually.

Rachit Kamat: Sure. And sir you had indicated we are expecting 200 to 300 crores of arbitration receipts in FY22. Are there any more pending for FY21 that we can expect in say....?

Sandeep Reddy: FY21 we expect that we may get another 100 crores of arbitration receipt actually before March.

Rachit Kamat: Okay so another 100 odd crores. Sure sir, I think I got most of my questions cleared. Thanks a lot sir.

Moderator: Thank you sir.

Rachit Kamat: Actually I have one more question I forgot to ask. Can you give us the total receivables of the company? Actual receivables?

Sandeep Reddy: I think we will get back to you on that. I don't have off hand.

Rachit Kamat: Sir I wanted to understand last year what was the total receivables and of this total receivables what will be the share of this irrigation projects specifically the Andhra Pradesh, Karnataka and Telangana?

Sandeep Reddy: I think we will get back to you on that.

Rachit Kamat: Sure sir, no issues. Thank you sir.

Moderator: Thank you sir. Ladies and gentlemen if you have any questions please press * and 1 on your telephone keypad. Sir the next question comes from Mr. Mohit Kumar from DAM Capital. Please go ahead sir.

Mohit Kumar: Good afternoon sir. I have a couple of questions on the UP orders, the pipeline orders. Are you going to use DI pipe or PVC pipe? Have you started giving the orders out? And what is the kind of institution timeline we are looking at?

Sandeep Reddy: I told you that we have to do the DPRs. Once the DPR is done, we are given about 18 months to complete this project. So those are all PVC pipes actually.

Mohit Kumar: Okay so out of the 12800 crore order book what is the life cycle of this order book?

Sandeep Reddy: Life cycle of what? The water bodies?

Mohit Kumar: Average timeline to complete this?

Sandeep Reddy: I think it is 2-1/2 years from today.

Mohit Kumar: And sir are there any further order from UP which is still awaiting where we have submitted the bids and are we searching for more.....?

Sandeep Reddy: In UP we will be expecting some more water bodies because phase wise they are giving. It is like short listing. We have been short listed for more.

In the first phase they have given us this 1700 crores....villages, then they will further....probably we can expect before this financial year or the next financial year actually. Our target is to win about 3000-4000 crores in UP actually...all these water pipe line projects.

Mohit Kumar: Okay, so we expect further order to get finalized in Q4. Am I right in saying that?

Sandeep Reddy: Yeah Q4 and then Q1 of the next year.

Mohit Kumar: Okay sir. On the JJM order across the country, are we also trying to bid for all those....all the other state orders and are we seeing any traction?

Sandeep Reddy: Which one?

Mohit Kumar: Are we seeing any traction in JJM orders from the other states like Madhya Pradesh....?

Sandeep Reddy: Water projects?

Mohit Kumar: Yes, water projects.

Sandeep Reddy: Yes, a number of projects coming in. Madhya Pradesh, Rajasthan but we are not concentrating everywhere. We have entered this line newly so we just want to focus in UP first. Once probably after one year once we are fully acquainted with the water projects, then we will further look at it next year actually. This year, FY21-FY22 I don't think we will look at other states as of now. But we will look at some irrigation projects in Karnataka. There are some irrigation projects in the pipeline in Karnataka we are expecting next year actually.

Mohit Kumar: In AP sir? In AP and Telangana are there any further orders?

Sandeep Reddy: We are also expecting.... There are some bids coming up in AP also, we will probably bid for some projects.

Mohit Kumar: Okay understood sir. Thank you and all the best sir.

Moderator: Thank you sir. Ladies and gentlemen if you have any questions please press * and 1 on your telephone keypad. Our next question comes from Mr. Agastya Dave from CAO Capital. Please go ahead sir.

Agastya Dave: Thank you for the opportunity again sir. I wanted a comparison from you, the Gayatri projects which you used to operate in 2017-18 versus now, if you were to consider a size of your individual projects, how much have they increased by? Are you becoming more granular or are you becoming much bigger in individual projects?

Moderator: Ladies and gentlemen please stay connected while we connect the management team back on the call. Sir please go ahead.

Agastya Dave: Hello can you hear me?

Moderator: Yes sir we can hear you, please go ahead.

Agastya Dave: So sir, I was just trying to figure out since 20017-18 how large have your individual size become? Are there any benefits we can expect from either local geographical concentration of projects of bigger size because that brings in additional level of operating leverage? Is that something that we can expect? Hello?

Moderator: Ladies and gentlemen please stay connected we will be connecting the management team again back on the call. Sandeep sir please go ahead.

Sandeep Reddy: Hello? Coming back to his question about the size of the projects; the largest size projects we have done is about 1500-2000 crores. It goes by the project case. Now in UP we have done 3000 crores, next to each other.

Agastya Dave: Does that help you with the margins because if you are very close by then there are a number of things that....

Sandeep Reddy: Of course, if I am already working in one cluster and next a smaller job comes, we always bid and take it. It won't go to a new player. Normally the new players don't look at any orders less than 800 to 1000 crores, those are not viable in road projects at all. Then we have mobilization and supervision costs become higher.

Agastya Dave: Correct. So that is why I was asking since that is what we can see in the presentation that a number of projects are fairly close by. So this 13%, 14% margins, takes into consideration all the benefits of that or can we expect margins to....?

Sandeep Reddy: Of course, that's our bidding strategy actually. Bidding against 20, 30 people we are able to bid like that only and win. That's our cost advantage what we take into account. There is no additional profit because of that arrangement.

Agastya Dave: Okay got it. Just one final question. For the other subsidiaries that we have, how are the financials looking there and what is the progress to...?

Sandeep Reddy: We have road projects upto 7 projects which we are now going to break off into a separate thing called Gayatri Highways which is a holding company of the roads which is listed. Out of the seven road projects, four are annuity projects and they are all completely (not clear). Two annuity projects have become debt free also. In the next two years we will get back free cash back. Other two projects are annuity projects from NHAI which are being debt serviced regularly. Then we have three toll projects in which under restructuring now. One of them we have terminated, and we are hoping to settle with NHAI. The other two HKR roadways and Indore-Dewar we are going for bank re-structuring.

Agastya Dave: Sir is there any possibility of further equity infusion from our standalone company to give.....?

Sandeep Reddy: Not at all.

Agastya Dave: Right. Any chances of any further write offs? I am just trying to re-confirm.

Sandeep Reddy: No there will be no write offs. Why write offs? We are only expecting money to come back.

Agastya Dave: Just wanted to know....

Sandeep Reddy: We are not going to commit any more equity to these projects. That's what we are telling the banks and going for restructuring them.

Agastya Dave: Perfect sir. Best of luck for the next quarter and good execution in this quarter. Thank you.

Moderator: Thank you sir. Ladies and gentlemen if you have any questions please press * and 1 on your telephone keypad. Our next question comes from Mr. Rachit Kamat from Anand Rathi. Please go ahead sir.

Rachit Kamat: So sir, I had a few questions for the panel. So I want to know given the fact our segments have kind of grown substantially over the past few quarters specially roads have become 60%, irrigation and water supply have also grown 20%, 20% kind of number healthily; so what is the order book mix we are looking at going ahead for business?

Sandeep Reddy: It will be a mix probably regular irrigation projects, water projects and road. As I told you, we are expecting to do only in UP, we have entered into water supply and we don't want to grow too much in that until we fully consolidate ourselves. Irrigation there is very limited extension because of the funding of the state. We will always continue to be there. So after 18 months one year road projects we are now probably we have so much what with bank and man power, so we will take more book projects next time. Order books will keep on changing...60 sometimes it will become 70 road. Road will continue to be a significant portion actually.

Rachit Kamat: Sure sir. In our irrigation project Andhra Pradesh per se are still moving very slowly....we had these multiple issues over there; but....

Sandeep Reddy: No, no they are starting from this first quarter, Q4 will be in full swing actually....both the Andhra Pradesh project, Chintalapudi lift irrigation....they had funding problems. Government of Andhra Pradesh has tied up with NABARD for them. NABARD has funded those projects now. So now next 1-1/2 to 2 years they want us to finish those projects.

Rachit Kamat: So basically for the past three quarters (not clear) not moving but now the funding has come in so we will start executing it right?

Sandeep Reddy: Yeah.

Rachit Kamat: And sir what will be our gross debt as of now? I think it is around 1968 crores and what are we targeting for that to go down by FY21 on a gross basis....like.....?

Sandeep Reddy: FY21 we have already targeted 70-80 crores directionally.

Rachit Kamat: So we are saying that by the end of FY21, including for the (not sure) and working capital needs it will be at around 1900 odd crores?

Sandeep Reddy: Yes. FY22 we are targeting gross debt to be at least about between 15 and 19.

Rachit Kamat: In FY22 we will take it down further to 1500 and 1900....?

Sandeep Reddy: Even 200 we will repay as a normal repayment schedule. So it will come down to 1700. It will further come down because 1700 is our target actually. It could be around 1600.

Rachit Kamat: Okay sure sir. Sir second on Sai Maatarani you have indicated that we are looking at some termination payment. As per your estimate what is the number you are envisaging because....?

Sandeep Reddy: It is still too early to commit now because the concession agreement says they will pay the debt due and the equity. Reconciliation is going on, where on force majeure we have terminated. Force majeure payment they have to pay the entire debt due plus 150% of the equity invested.

Rachit Kamat: So what will that number be...if you have any number in mind?

Sandeep Reddy: I think the equity we have invested is around 180 crores. We may get about 200 crores on the equity...200 or 250 crores.

Rachit Kamat: Sure. And sir our labor force and everything is back to 100% right? Last quarter's call you were saying that we were still at 70%, 80%....

Sandeep Reddy: Yeah we are 100%. That's why this quarter we are able to achieve 30% over last year actually.

Rachit Kamat: Sure sir, thanks a lot those are all my questions. Bye sir. Best of luck for the coming quarter sir.

Moderator: Thank you sir. This was the last question for the day. Now I hand over to Mr. Sandeep Reddy for closing comments.

Sandeep Reddy: So I would like to thank our investors. I hope that we were able to satisfactorily address your queries. In case of any pending or follow on queries please address Go India Advisors and they will be able address any questions you may have. Thanks for your support and time.

Moderator: Thank you sir. 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.