GPT Infraprojects Limited

GPTINFRA/CS/SE/2021-22

November 12, 2021

The Department of Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai – 400001

National Stock Exchange of India Ltd.,
Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051

Dear Sir / Madam,

Sub: Update on Conference Call held on 09th November, 2021 – Call Transcript

Ref.: Scrip Code – 533761; Symbol – GPTINFRA

In compliance with Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and further to our letter dated 03rd November,2021, please find enclosed herewith transcript of Conference Call held on Tuesday, 09th November, 2021.

Kindly take the aforesaid information on record and oblige.

Thanking you,

Yours faithfully,

For **GPT Infraprojects Limited,**

ANATHA BANDHABA CHAKRABARTTY

Digitally signed by ANATHA BANDHABA CHAKRABARTTY
Date: 2021.11.12 17:34:24 +05'30'

A B Chakrabartty
(Company Secretary)
Membership No.-F-7184

"GPT Infraprojects Limited
Q2 FY2022 Earnings Conference Call"

November 09, 2021

MANAGEMENT: MR. ATUL TANTIA – EXECUTIVE DIRECTOR AND CFO

Moderator: Ladies and gentlemen, good day and welcome to the GPT Infraprojects Limited Q2 FY2022 Conference Call. As the 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 "*" and "0" on your touchtone phone. I now hand the conference over to Mr. Atul Tantia, Executive Director and CFO. Thank you, and over to you Sir!

Atul Tantia: Thank you. Good afternoon everyone and the warm welcome to our GPT Infra Projects Limited's earnings conference call for the second quarter and half year ended September 30, 2021.

We wish you a very Happy Diwali and Happy New Year. The result presentations has been uploaded on the company website and also on the stock exchanges and hope that you have received the same.

We hope that you have had a chance to go through the same in detail. Today on the call, I have with me Stellar IR, our Investor Relation Advisors.

Let me begin by saying that all of us are thankful that the pandemic has given signs of showing that it is heading towards and endemic and hopefully we can all put this challenging period behind us. In the quarter gone by we not only saw normalcy appear in most parts of the country, but also saw a significant increase in consumer confidence across sectors.

At GPT, we have seen positive movement in our operations and financial performance on the back of a less disrupted quarter. With the momentum that our operations have gained, we have not only crossed our performance of the previous year but a real disruptions but have managed to cross Pre-COVID levels and expect to carry forward this momentum for the next few quarters as well.

Now let me come to the financial performance for this quarter and the half-year gone by. During H1 FY2022 the standalone total income crossed Rs.248 Crores which was a 17.7% growth YoY. The standalone EBITDA for the same period stood at Rs. 39.1 Crores witnessing a growth of 7% year-on-year and EBITDA margins stood at 16.9%.

The operational profitability had an impact because of input costs. The reported standalone PAT was at 8.7 Crores a robust growth of 88.8% year-on-year. On a consolidated basis, our African operations continued to see some COVID related disruptions and we will need to wait for another quarter for results to normalize there. Overall, the growth in our domestic business continues to be heartening.

If you look at our segmental performance, the infrastructure structure segment which was at 74% of the total revenue increased by 16.97% to 197.3 Crores in H1 FY2022 on the back of strong execution during the period. In H1 FY2022 our EBIT for the segment stood at 33.7 Crores a growth of 21% year-on-year on the back of certain long-term cost cutting measures that were instituted during the COVID-19 pandemic, the infrastructure segment which comprises of 92% of the overall order book with new orders bagged during H1 FY2022 of approximately 159 Crores.

On the concrete sleeper front, all our manufacturing facilities in India and Namibia are running at capacity utilization, which stand at approximately 75% levels. Our revenues for the H1 FY2022 posted a growth of 21% year-on-year to 48 Crores. In terms of segmental breakup the portion of concrete sleeper was marginally increased in Q2 FY2022 on account of higher demand in Indian market.

The order intake has been muted in the first half of the year due to COVID-19 related contingent measures as well as civil unrest in South African region, which has now subsided. We are carefully monitoring the situation and hope this will be resolved soon. Namibia is operating at an all time high capacity utilization and in the current quarter for the FY2022 we have also received dividend from the associates in Namibia. The cash flows and dividends in the Namibian operations are quite healthy and we hope that they will contribute profitably to the parent balance sheet.

The order book as on September 2021 stood at 17.3 billion forming approximately 3x of FY2021 revenue. We envisage the order pipeline to improve during the second half of the financial year.

Now let me share with you some key highlights, key contracts of the current fiscal: Some of the key projects under execution includes the Ghazipur order worth almost 378 Crores from RVNL which is running smoothly with a quarterly run rate of approximately 30 Crores to 35 Crores and its closure is expected to over the next 15 months. In addition, the Mathura Jhansi contract with RVNL we saw a similar order inflow for H1 is also running very smoothly. Both these contracts once completed will allow us to bid subsequent contracts up to 1,000 Crores underscoring our execution capabilities in infrastructure segment.

In the concrete sleeper segment, the GMR order worth of almost 250 Crores continues to progress well and cash flows on the same are expected to ease the working capital cycle further. We have calculated our operations to ensure that these disruptions are not only temporary but also will resume quickly and as a result we believe we are in a strong position.

Lastly, we are pleased to report that our operating and liquidity position continues to improve. As we had mentioned earlier, in our earlier calls, we have been optimising our working capital in addition to long-term debt. On our old receivables that is at Rs.20 Crores approximately at the beginning of the year we have managed a reduction of about 2 Crores and we expect it to further reduce it by another 6 to 7 Crores in second half of the year. With that, the old receivables should come down to about 12 Crores at the end of the fiscal. This has been made possible by improved cost management reduction in the old debtors and a strong increase in overall operations resulting in positive free cash flow generation. In addition, the various departments processing outstanding refunds and that will ease out the cash flow for the company. This is all from my side. I would request the moderator now to open the floor for any questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohit from Antique. Please go ahead.

Rohit: Thank you for this opportunity. Sir my first question is more to do with the railway policy as such. We have heard that there are some changes planned which would mean both private and public sector companies can participate on the same platform. Can you throw some colour on this? Have you heard something about that?

Atul Tantia: The policy change the railway is planning to announce has already in the pipeline is that earliers the railways PSUs like RVNL, IRCON and the likes would get the contracts on a nomination basis. They would not be subject to public tender. Now these are being leveled on the same platform, so the contracts that would be given to RVNL, IRCON, RITES and the other railway PSUs would now be public tender basis wherein the private companies like us can also participate. I think this will increase the number of contracts that we can bid for and it is better for the railways per se for reducing the cost.

Rohit: But do you see revised tenders coming through, revision in the tender norms that you see it through?

Atul Tantia: Railways has already got its own tendering policy in terms of e-tendering and all that, so there will not be any revision with tendering norms per se. I think it is hard to say that.

Rohit: Now there is one more news that we have heard which is about incorporating some non-financial parameters in bidding. This is something?

Atul Tantia: That is for non-standard contracts so we bid for almost standard contracts , so those are mostly for non-standard contracts wherein we are saying that up to 30% can be for non-financial criteria, so it will not be for L1 per se, 30% weightage would be given to non-financial sort of criteria I would say. So, I think that is the policy or the draft of the policy

only says it is for non-standard contracts. It is not for BOQ based contracts that we are typically addressing.

Rohit: My second question is more to do with your company itself. Could you talk about the order inflow part for the remaining part of the fiscal? Do you see any prospect orders, how big is that kitty looking like? What is the plan of conversion in the timelines ahead?

Atul Tantia: We have got in this fiscal about 160 Crores of new orders. We are at almost 3x of our FY2021 revenues in terms of our net order book. At the end of the year, we aim to be almost at 3x of the FY2022 revenues as well so I think that our order book will grow to that extent and we are participating in contracts almost on a weekly basis, so we have this.

Rohit: So, if I understand it correctly, we have 3x booking in right now which we will end up at 3x which means we will roughly replace the execution as order inflow?

Atul Tantia: Not only that. There will be some incremental as well because our 3x is on FY2021 and FY2022 the 3x would also incrementally add on.

Rohit: My second question is on the NHAI numbers that you had some reconciliation that was through, I mean, what is the progress over there? Is there any outstanding amount to that?

Atul Tantia: NHAI and as we have also said in our earnings, the standard release that the conciliation process has not gone through so it is now back in Delhi High Court so we expect that the process will go on slightly slower than we anticipated.

Rohit: Just to summarize if I have to understand we do not face any working capital blockages or we do not have any non-fund based limit thresholds. It is basically this COVID-led disruption that has impacted our execution as such, right largely?

Atul Tantia: I do not know what you mean by working capital blockages?

Rohit: Let us assume if you are confined to your fund-based limits or non-fund-based limits you may not be in a position to execute to a large extent so I donot see that kind of issues surfacing up?

Atul Tantia: No we do not have similar challenge .

Rohit: So which means you stick to that 20% guidance growth guidance over the next two to three years which you have said in the last call as well?

Atul Tantia: I think that we are on that path of having a disciplined growth. We have a very disciplined strategy in terms of our margins as well. So if you see our margins have always been preserved at the 13% to 14% EBITDA level and I think that going forward also we should be able to preserve our margin to reduce the debt, reduce our some of these over debtors as well as increase the execution cycle as well, which will obviously have an impact on the cash flow as well.

Rohit: Just to conclude that margin threshold will be somewhere between 13% and 14% as against what you reported as 16% or 17% in the base year or maybe even the last quarter?

Atul Tantia: Even last year if you see our annual margin is around the threshold that I am talking about so our annual margin last year if you see the full year last year was around that level.

Rohit: I appreciate that part. All the best. Thank you. That is it for my side.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good afternoon and congratulations on a decent set of numbers. Sir my first question is primarily on the ordering flow outlook especially for the railway segment and with the high speed rail I understand that you are participating in metro and high speed rail, is my understanding correct first of all? How big is the opportunity for you to bid for some portion of high speed rail and metro and also if you comment on the order inflow outlook for the for the second half for railways?

Atul Tantia: As I said in my previous reply that our order inflow for this financial year we intend to close the year also at 3x or FY2022 revenues so our order inflow which is about 160 Crores already in the first half we expect to have incremental order inflows to ensure that we are at 3x of FY2022 revenues and I think that we are on track to achieve the same. In terms of high speed and metro contracts you are right that we are bidding for a high speed contracts as well and metro contracts obviously we are already executing, we have executed in the past as well. This is an area wherein the opportunities are increasing every month-on-month, year-on-year and I think that it is a large market that is addressable and we do bid for contracts especially bridges and viaducts for this segment and we would be able to address this market given our bidding capacity as well as our credentials from now bidding for up to 1000 Crores contracts?

Mohit Kumar: For all the tenders in high speed rail or metro, do you participate on your own or do you participate in a JV?

Atul Tantia: Metro is generally in our own name. High speed we have participated earlier in a joint venture because high speed has certain other requirements, where you need to have a joint venture partner.

Mohit Kumar: Coming back to the first question on the order inflow outlook from the railway have you seen the railway tendering pipeline increasing for the second half and why H1 was so muted for the entire industry?

Atul Tantia: I think H1 was muted a) because the first quarter was almost a washout due to the COVID and secondly I think that there has been right now and more of a some changes in policy which the government was anticipating back into the interest in the previous question as well and the government intends to implement those policies before they tender out these contracts since some of the policies they have already changed and they are in the process of changing further policies I think they will start bidding out aggressively once these policies have been changed so that everyone is on the same line.

Mohit Kumar: Lastly on this are on the revenue guidance right I am attending your call for after a long time have you given any revenue guidance for FY2022 and what do you think the expectation of growth for a FY2023 based on the current outlook? And something about the EBITDA margin are you seeing any pressure of input raw material inflation which can reduce your EBITDA margin going forward?

Atul Tantia: In terms of revenue guidance we expect to grow almost 20% CAGR over the next three years. To give a guidance for FY2022 is kind of difficulty due to COVID but having said that COVID is slightly behind us so I think that in the third quarter we will be able to give a better guidance for FY2022. In terms of margin pressures due to the increase in raw material prices I think that as we have said earlier in our previous conversations as well that all our contracts have price variation formula which is linked to steel prices, cement prices, etc., so we are adequately compensated in terms of the increase in the raw material prices or rather even I would say even decrease so I think our margins are in that way preserved. We bid for contracts in a very disciplined manner and expect our EBITDA margins to be 14% or north of that, slightly north of that.

Mohit Kumar: So is this price variation clause applicable to high-speed rail and metro also?

Atul Tantia: Yes it is applicable for most of all our contracts even the concrete sleeper contracts even high metro contracts as well which we are executing.

Mohit Kumar: Understood Sir. Thank you Sir. Best of luck. Thank you.

Moderator: Thank you. The next question is from the line of Monika Arora from Share Giant Wealth. Please go ahead.

Monika Arora: Thank you for the opportunity, Can you please throw some light on the subdued performance of like on the consolidated business?

Atul Tantia: Like I have said in my opening remarks our subsidiary in South Africa continues to experience some disruptions in terms of COVID-19 impact in South Africa as well as some civil disruptions in South Africa which have now subsided. We expect that the same will normalize by December and the operations will pick up from January onwards. So that is the only reason why the operations on a consolidated basis were subdued because of fixed costs in the South African subsidiary which did not attribute any revenue per se.

Monika Arora: If I could just ask a little bit further like how much was the impact of input prices, input prices increase on a EBITDA per se and going ahead will you be able to pass it on?

Atul Tantia: So the input prices do not have a large impact on the EBITDA because all our contracts whether it is the concrete sleeper contracts or the infrastructure contracts all have a price variation formula within the input prices in terms of cement, steel, etc., are linked to the various indices of steel, cement, labor, etc., and they do change our contract value whether on a positive or negative side depending on the increase of the decrease in the prices and this has been historically done over the last so many years and I would say that going forward also it would be the same.

Monika Arora: What kind of order book expectation you have for FY2022 from the sleeper business?

Atul Tantia: From the sleeper business I think that for FY2022 a) we should see the inflow order in South Africa and b) some incremental orders in India so I think that we should see an incremental order inflow of almost 300 Crores.

Monika Arora: Thank you.

Moderator: Thank you. The next question is from the line of Alok Bajaj an individual investor. Please go ahead.

Alok Bajaj: Thank you very much for the opportunity. The question is simple that there is some rumours that the parent company is under NCLT. Can you put the light on this thing?

Atul Tantia: Not that I am aware.

Alok Bajaj: That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Shruti Sharma an individual investor. Please go ahead.

Shruti Sharma: Thank you for taking my question. I have just one quick question. I just wanted to understand like in EPC business are we you know exploring other segments to enter in because as we see in infra sector all the segments are really performing very well and there is like a lot of opportunities. So are we looking to enter into any other segment or planning to explore any such opportunity?

Atul Tantia: How the EPC segment does operate or infrastructure segment does operate is that you have to get sub contracts where you are having credentials. We do bid for contracts wherein we have had the necessary credentials. We have entered into various other segments like we discussed earlier about high speed and metro and others so as and then our credentials are also building up we are entering into other whether it is a) segment b) other geographies as well and we are addressing the market as and when the opportunities do present to us.

Shruti Sharma: Thank you.

Moderator: Thank you. The next question is from the line of Rikesh from Barclays. Please go ahead.

Rikesh: Thanks for the opportunity. Can you just highlight how much will the revenue impact we had because of the South African operation getting disrupted, impact in the first half?

Atul Tantia: Last full year the South African operations contributed of almost 40 Crores, this first half that has contributed only for 4.5 Crores.

Rikesh: So it could have been the higher region of around 15 Crores, 16 Crores, right?

Atul Tantia: Almost 20% odd Crores I would say?

Rikesh: Now the operation stabilized or from December as you had indicated?

Atul Tantia: I said from January we expect it to resume the normal operations.

Rikesh: Can you just throw some more light on the order book side with how much order we are feeding because till now we have what I think 150 Crores order in the first half, so what kind of number of orders we are bidding for and we are expecting to close it?

Atul Tantia: We expect to close the year at almost 2000 Crores of order book and we like I said we are bidding for orders almost on a weekly basis. So I cannot give you the exact number and as

in how many orders we are bidding but that if you want to be you can send us a separate question, we can always answer it offline.

Rikesh: This last query on this NHAI how much amount receivable from NHAI will be lying in the sundry debtors?

Atul Tantia: Almost 18 Crores.

Rikesh: Almost 18 Crores and in our presentation we have indicated around this 5 Crores, 6 Crores reduction in the debtor days, so are we building in anything from this NHAI or it is from the others we are trying to go in looking to reduce?

Atul Tantia: This does not reflect the receivable from NHAI. This is other old debtors, this is without NHAI.

Rikesh: That helps. Thank you.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: Good morning Sir. My question is on the competition so we have seen high competitive intensity in the segment in which we bid for like project size of around 200 Crores or 300 Crores or even lower so how do we see this competition or we face low competition as of now? Can you just throw some light on this?

Atul Tantia: Obviously you are right, competition is intensified which also reflects in the low order inflow for this financial year; however, a) I think that that is why we addressing other geographies as well like I said earlier, we are addressing other segments as well. We are also I think quite hopeful that this policy of having a low earnest money deposit which is up to December 31, will not be extended and the unhealthy competition which is right now there will subside post that.

Jiten Rushi: As you said rightly so how many bidders do we see like do we see like 10, 12 bidders or it is like seven to eight bidders?

Atul Tantia: Seven to eight bidders typically.

Jiten Rushi: So these are all unorganized players or these are all organized players?

Atul Tantia: Most of them nowadays are unorganized because they is no earnest money per se requirements so that has led to this unhealthy competition but I think that the policymakers

are also realizing it and I think that this policy hopefully should not be accepted beyond December.

Jiten Rushi: That should be good for the company because otherwise execution again is a challenge if you want to get awarded the project?

Atul Tantia: Because I think the unorganized players will not be able to execute I think I should not say they did not be able to execute.

Jiten Rushi: You have seen like in last one year probably we saw COVID last year first half post which we saw ordering picking up so have we seen any loss in the order wins because of unorganized players coming in and high competition where we have a benchmark in margin do we see?

Atul Tantia: We are very disciplined in our order inflow and our bidding, so we do not anticipate any losses in terms of the order that we have backed.

Jiten Rushi: Got it so now I think that Q4 onwards we can expect strong order inflows as you have said like you are targeting to reach 2,000 Crores order book this year?

Atul Tantia: Yes.

Jiten Rushi: Can you throw some light in terms of next year and 2023 and 2024 like what kind of topline we are targeting?

Atul Tantia: Like I said, we expect to grow almost 20% CAGR. So that would anticipate our growth in the topline; however, like I said this obviously has to be in sync with the order inflow as well and we expect that like I said in terms of the competition once it subsides the competition does subside the order inflows will also grow.

Jiten Rushi: Going forward do we expect our receivables should be smooth like what we have seen in the past that got stuck I think the working capital requirement and other things should be normalized?

Atul Tantia: Working capital cycle is quite better compared to what it was even two years ago. Even this first half if you see our cash flow from operations was quite healthy and I think that does speak on our operations as well.

Jiten Rushi: Any capex required for this growth of 30% CAGR?

Atul Tantia: First of all I did not say 30%, I said 20% and capex is obviously there will be some capex required which is factored into our projections as well.

Jiten Rushi: That is it for my side. Thank you and Sir all the best.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions I now hand the conference over to Mr. Atul Tantia, Executive Director and CFO for closing comments.

Atul Tantia: Thank you everyone for the participation in today's Q2 FY2022 earning's conference call. In case you have any further queries, you may get in touch with us or with our IR team, Stellar Investor Relations. I wish that you all take care of yourself and your families and stay safe. Thank you and have a good day.

Moderator: Thank you. On behalf of GPT Infraprojects that concludes this conference. Thank you for joining us. You may disconnect your lines.