



GPT Infraprojects Limited

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GPTINFRA/CS/SE/2020-21

July 02, 2020

**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 23rd June, 2020 - 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 20th June, 2020, please find enclosed herewith transcript of Conference Call held on Tuesday, 23rd June, 2020.

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: 2020.07.02 21:36:32
+05'30'

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



“GPT Infraprojects Limited
Q4 FY2020 Earnings Conference Call”

June 23, 2020



**MANAGEMENT: MR. ATUL TANTIA - EXECUTIVE DIRECTOR & CHIEF
FINANCIAL OFFICER - GPT INFRAPROJECTS LIMITED**



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June 23, 2020

Moderator: Ladies and gentlemen, good morning and welcome to the GPT Infraprojects Limited Q4 FY2020 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. I now hand the conference over to Mr. Atul Tantia, Executive Director and CFO, GPT Infraprojects Limited. Thank you and over to you Sir!

Atul Tantia: Thank you. Good morning everyone and warm welcome to GPT Infraprojects Earnings Conference Call for the quarter and year ended March 31, 2020. I have with me on call Stellar IR Advisors, our Investor Relations Advisor. I hope you all have received the updated investor presentation and we have also uploaded in our website for your reference.

In these challenging times, I hope that everyone on the call and their families are safe. We would like to take this opportunity to thank all the Corona warriors who are the new heroes of our society and the country at large and are fighting the Coronavirus at the forefront to ensure the safety of the citizens; as well as thank the members of our company that are continuing to work with strict safety measures. We deeply regret the loss of life due to COVID-19 pandemic and are deeply grateful and have immense respect for every person who have risked their life and safety to fight this pandemic. As you are aware the States of West Bengal and Odisha were impacted severely by the cyclone Amphan in the last week of May and with the necessary precautions at all our project locations and factories, all team members are safe and no damage has been reported.

Let me start the call by sharing with you some of the key business and financial highlights of the year gone by coupled with a brief outline of the steps taken by the company to ensure continuity of operations during this challenging period led by COVID-19 and an outlook on the business.

Some of the key highlights of the fiscal 2020 for the company include increased traction and execution mainly on the infrastructure segment, steady profit margins on back of a disciplined bidding process coupled with cost optimization measures, debt reduction and improved generation of cash from operations. Further we have revenue visibility on the back of a healthy order book of approximately Rs 1500 Crores, which is almost 2.5 times our FY2020 revenues and additionally we stand L1 in orders worth approximately Rs 200 Crores. In keeping with our practice of rewarding shareholders the Board has recommended a dividend of Rs.1.5 per share, which is 15% of the face value of the share, this is also in line with the company’s dividend policy.

Let me begin with the key details on each of the above points. On the operations front, despite the COVID-19 led disruption in the last fortnight of FY2020, the consolidated revenue from operations for FY2020 improved by 7% year-on-year to Rs 618 Crores and by 8.3% year-on-year in Q4 FY2020 to Rs 187.3 Crores. This performance was led by a strong growth of almost 18.2% in the infrastructure segment in FY2020. The fourth quarter also saw a healthy 15.7% year-on-year growth despite the last fortnight being lost due to the pandemic. The infrastructure segment formed almost 85% of our total revenues. We continue to build competencies in the infrastructure segment with our Rs 375 Crores order from RVNL going on smoothly with current quarterly run rate of approximately Rs 30 Crores and closure is expected over the next 20 months. This would enable us to bid for single order of Rs 1000 Crores, underscoring our execution capabilities in the infrastructure segment. Further, the company has been able to bag an order of Rs 115 Crores in April 2020 even amidst the lockdown. This order has been awarded by the National Highways & Infrastructure Development Corporation for widening of a section of National Highway 102B in the State of Manipur on EPC mode. We are confident that the infrastructure segment will continue to grow over the coming quarters.

On the sleeper segment, the lockdown in March 2020 has led a slight dip in the revenue for the last quarter and the African business has also been weak in the last year. Consequently, the concrete sleeper division revenue for Q4 FY2020 and full year FY2020 was lower than the previous period. Further COVID-19 related disruptions have led that our African facilities as well as our Indian facilities have been operating at lower utilization levels in the first quarter of the current fiscal. The Namibian associate has signed the agreement for extension of the contract with their local buyer. We expect utilization of all our Indian facilities in the next few months to pick up. Our manufacturing facilities in South Africa have also resumed the operations in the second week of May 2020 in line with relaxation of lockdown in the country. While our manufacturing facility in Namibia is yet to resume operations as the province is still not allowing commencing of production, we expect the same to start by the beginning of July 2020.

On our margins and profitability for the full year, our EBITDA posted a 7.7% increase over the previous year to Rs 83.8 Crores while posting a margin of 13.5% as compared to 13.1% in FY2019. Consequently, our PAT posted a strong 27.6% growth from Rs 11.8 Crores last year to Rs 15 Crores for FY2020. We attribute this steady performance to our bidding discipline of ensuring that a EBITDA of 13% to 14% is the primary factor in bidding for new projects. Our cost optimization measures are also bearing fruit. For the Q4 FY2020 however, the EBITDA margin was impacted primarily due to a onetime expense on account of non-cash mark-to-market loss in the South African business due to sharp fluctuations in the foreign exchange rates caused by the downgrade of the sovereign rating of South African

bonds by the rating agencies. In local currency terms our EBITDA in South Africa was positive without considering the mark-to-market loss.

In terms of our leverage and liquidity position as we mentioned earlier, we have been trying to optimize our working capital in addition to paring some of our debts. During this year we have managed an overall reduction of approximately Rs 20 Crores on both long-term and short-term debt combined. This coupled with improved profitability has helped us to increase our cash flow generations. In addition, we have also been able to recover a lot of the old outstanding, which were earlier qualified by the auditors and the amount of qualification has reduced by almost Rs 24 Crores. Further to strengthen the company's liquidity portion during these challenging times, we are actively engaged with our working capital bankers to avail the Special Liquidity scheme announced by the Government of India. We have also applied for the release of proportionate Performance Guarantees from various clients in partly completed projects as allowed by the Ministry of Finance, which will result in a significant release of our non-funded limits and thereby provide liquidity in terms of margin money for these bank guarantees. We do not foresee any challenges in meeting our debt obligations or liquidity for the business in the near / long term.

Let me now give you a brief synopsis of how we are operating with the COVID-19 related restrictions. The lockdown as you all are aware has been effective from March 24, 2020, and it halted most of the construction activities in the country and accordingly our company's operations at all locations were impacted; however, since lockdown 2.0 that is end of April 2020 when lockdown conditions began relaxing, we have commenced the construction activities gradually at all our project locations wherever the local authorities have permitted resumption of the same with reduced manpower while ensuring that all the requisite safety measures are being adhered to. As of May 31, 2020, activity in most of our sites have recommenced with up to approximately 60% of our normal monthly run rate in the infrastructure segment. As mentioned earlier operations in South Africa have resumed the second week of May 2020, while Namibia is expected to start early July.

A major concern that has been discussed in the media and society in general is labor for the infrastructure companies. As you are aware the labor for most of our sites are sourced from some other states and we expect some disruptions in the operations on account of their return to their native villages once the transport restrictions have been eased. However, we do not anticipate a major impact on the operations as we are approaching monsoon season wherein construction activities generally become lean.

Our corporate office is operating with reduced manpower since May 2020. The ERP system, which is SAP, implemented by our company enables our employees to operate remotely from their home and also from project sites and manufacturing locations thus ensuring internal



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control of the management on the operations of the company while ensuring safety of the team members.

In terms of our time and cost escalation on ongoing projects and manufacturing activities, the clients in all the contracts have given time extension for up to six months with price escalation as allowed by the circular of Ministry of Finance due to the invocation of Force Majeure conditions. Going forward, with our strong project execution capabilities, a healthy financial base and envying growth prospects across all our areas of operation, we believe that GPT Infraprojects is well positioned to continue its growth trajectory.

That is all from my side. I now request the moderator to open the call for question and answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Viral Shah from Prabhudas Lilladher. Please go ahead.

Viral Shah: Good morning and hope everyone is safe at GPT Infra. To begin with how has been the scenario post lifting up of lockdown partially; I know you had highlighted parts of it in your opening remarks in terms of labor availability, what was the labor count pre-COVID and what is it now and how reinforcement has been adding in the month of June? Any clarity on that would be something which is very helpful?

Atul Tantia: As I said, the team members of GPT are safe and we have ensured that our SOPs are in place so that they are working in a safe environment. In terms of your question with respect to labor like I said in my opening remarks we are operating at almost 60% to 70% of the work force strength currently, so in June we have seen some labors return to their native places once the transport restrictions were eased; however, new laborers are also coming back so that gives us comfort that the labors will come back and we have also taken the medical insurance for the workers, which is giving them comfort.

Viral Shah: Fair enough. In terms of ordering pipeline when we look from Railways going forward, what will be the order pipeline in terms of May orders, which were coming and what can be our market share in that and what we are looking at?

Atul Tantia: Like I said we are L1 in Rs 200 Crores worth of orders and we are constantly bidding for new projects as we speak, we are also bidding for one large project in Uttar Pradesh. Also, our ticket size of contracts is around Rs 150 Crores plus right now, so we feel that there is a healthy demand for these kind of contracts and now with the new policies wherein global tenders are no longer allowed for contracts upto Rs 200 Crores, the competition would tend to be slightly less.



- Viral Shah:** In terms of competition who will be competent at the sub Rs 200 Crores?
- Atul Tantia:** We do not do only sub Rs 200 Crores we also do Rs 250 Crores plus so like I said we are also doing a contract of Rs 375 Crores, we have two or three contracts of Rs 250 Crores plus; we do compete with some listed companies some unlisted companies as well, it depends on the region; there are number of companies, it completely depends on the region in which we bid.
- Viral Shah:** Last question from my end, any new verticals or geographies, which we would like to expand given the situation because lot of contractors from China are not allowed in most of the state and regions so would you like to capitalize on these opportunities going forward and which will be that region as well as new verticals if you would like to highlight?
- Atul Tantia:** We do contracts for governments wherein you meet the credentials. We can only work with our core competencies in terms of verticals, so our core competencies being construction of railway tracks, bridges and the likes. In terms of regions, we are agnostic to the region that we do operate in other than the consideration for the safety of our team members and the assets of the company. We recently got a contract in Manipur so we are bidding for contracts in Eastern and Northern part of the country, somewhat also in the central part of the country currently.
- Viral Shah:** Thank you so much Sir and the all the best for the future.
- Moderator:** Thank you. The next question is from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.
- Rohit ,Natarajan:** Good morning and thank you for this opportunity. My question is more on just to take the previous question on the order inflow part you hinted that there is an L1 of Rs. 2 billion order, but if I have to step back and look at your order backlog position it has come down from Rs.2,000 odd Crores kind of number that we had in FY2018 to all the way to Rs.1,500 Crores so are we really looking to ramp this up in a big way in this fiscal or is there any addressable opportunity we would want to quantify?
- Atul Tantia:** I think to answer the question this year we have a target of almost Rs.800 to Rs.1,000 Crores of new order so that includes the L1 order that we have of about Rs. 200 Crores that is kind of minimum that the management has set a benchmark for this year, hopefully we will be able to achieve that in this calendar year itself so that some work can start on it by March.
- Rohith Natarajan:** Among the close to 60% of infrastructure exposure that you have within your order backlog how much it will be roads as such?

- Atul Tantia:** Road I think the only contract that we received in April that is only a pure road contract other than that we do not have road contracts.
- Rohith Natarajan:** So would you be focusing more on road as well? Is that under consideration?
- Atul Tantia:** We typically like the railway segment and we would like to focus on our segment that we do operate in we are focused railway company in terms of both infrastructure as well as concrete sleepers. Road is something that we feel does not give the same kind of EBITDA hurdle rate that we do look for which is about 13% EBITDA
- Rohith Natarajan:** Sir, in my previous conversations, we were probably targeting for Ghazipur RVNL project close to Rs.25 Crores per quarter, now with this scenario what could be the revised outlook? Are you planning to bill somewhere between Rs.1 billion kind of number in this fiscal or something lower than that?
- Atul Tantia:** So like I said in my opening remarks that Ghazipur contract we are currently doing a run rate of Rs.30 Crores per quarter so it is about Rs.120 Crores a year.
- Rohith Natarajan:** Okay in Mathura Jhansi RVNL, I am sorry if I missed it?
- Atul Tantia:** Mathura Jhansi I did not say in the opening remarks, Mathura Jhansi this year we will do about close to Rs.80 to Rs.85 Crores.
- Rohith Natarajan:** So in a way these are two big projects within your order backlog when I see that these were actually the pre-COVID targets and you are maintaining that, is that correct?
- Atul Tantia:** We are maintaining that, but Q1FY21 has been obviously, as it is for across the economy, quite a large dip, so we will not be able to increase the target revenue for the year, it is too premature I think to give a revenue target for the year.
- Rohith Natarajan:** Level crossing project you had one Rs.40 Crores kind of number that you were talking in FY2021?
- Atul Tantia:** So that contract we will do about Rs.40 to Rs. 45 Crores this year.
- Rohith Natarajan:** From the DFCC part of the concrete sleeper, we were looking at Rs.8 to Rs.9 Crores per month, what is that number as of now?



- Atul Tantia:** That depends on the offtake for the project so this year we anticipate that the offtake would be slightly higher because the initial bottlenecks have been streamlined so this year we anticipate Rs.100 odd Crores of revenue from DFCC.
- Rohith Natarajan:** Okay. That's it from my side. Should there any other question I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Mohit Bansal from Ajinkya MPL. Please go ahead.
- Mohit Bansal:** Atul can you please give us an outlook on the NHAI arbitration?
- Atul Tantia:** There is not much of movement in the NHAI arbitration because the courts are closed; the next date is around August 20, 2020, so the movement is nothing as the last couple of dates have been extended, earlier that is, pre COVID, because of the NHAI lawyer not being present and now because of the courts being closed.
- Mohit Bansal:** Okay so you mentioned in your brief that because of the regulation changes now by the government on account of COVID, you will be able to release some non-fund limits; will that help you to get this money from the arbitration by giving some kind of guarantees there, what is the strategy on that?
- Atul Tantia:** We have already applied to the banks for release of the Rs.30 Crores, which is as per the court order, but the banks want some clarification from the court, which unfortunately will happen post the courts opening in August.
- Mohit Bansal:** Do you think that the limits can be utilized to give the guarantees in the court?
- Atul Tantia:** We expect almost Rs.55 to Rs.60 Crores of bank guarantee to be released out of which almost Rs.40 Crores has already been released, the balance Rs.15 to Rs.20 Crores will be released in the coming time.
- Mohit Bansal:** Okay great that is good news. Atul, need one more clarity on what is the scenario on past payments and recoveries from certain contracts, which are mentioned?
- Atul Tantia:** Like I said in my opening remarks in March 2019, the qualification in terms of the old policies was Rs.49 Crores, which is now Rs.25 odd Crores, so Rs.24 Crores from those have been recovered and we expect another Rs.6 to Rs.7 Crores to be recovered in this calendar year itself. In terms of debt repayment, we do not have much of long-term debt so this year in terms of liquidity, that will not affect us much.



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- Mohit Bansal:** Okay great and can you please help us with the working capital limits that are sanctioned for us?
- Atul Tantia:** We have approximately Rs.210 Crores of working capital limits sanctioned to us by State Bank of India.
- Mohit Bansal:** How much of that has been utilized?
- Atul Tantia:** The cash limit has been changing every day, but currently about 90% to 92%
- Mohit Bansal:** Okay, Atul one last question from my side, can you please help us with the competitive outlook in the industry right now?
- Atul Tantia:** We feel the competition is going to be slightly less because there are many companies who are facing issues with respect to their contracts and thankfully most of our contracts are working well, so we expect that the competition would be slightly less compared to what it was pre-COVID, this will enable to us maintain our hurdle rate of EBITDA at 13%.
- Mohit Bansal:** Thanks a lot for answering my question and that is it from my side.
- Moderator:** Thank you. The next question is from the line of Mihir Desai from Desai Investments. Please go ahead.
- Mihir Desai:** My question would be on the sleeper business, Sir I just wanted to know in Africa and Namibia, what would be the order book status and your outlook over there for this year?
- Atul Tantia:** Namibia like I said, the associate has signed a contract for the concrete sleepers, the contract will be valid for almost 24 months that would enable revenue of almost Rs.25 Crores in Indian Rupees for Namibian entity, although in the associate the revenue does not get consolidated in the group's financials. For South Africa, we have contracts upto December 2020 and there is constant manufacturing and delivery to the customer. We expect the tender which was supposed to happen in April 2020 but unfortunately due to COVID it was extended, should happen sometime in July 2020 and August 2020. This will enable us to ensure that the contract is in place before the earlier one gets expired.
- Mihir Desai:** Sir, regarding the Indian business, what would be the utilization levels in our concrete sleeper segment?
- Atul Tantia:** Currently, it is less with the labor issues especially in UP, so it is about 50% to 55%.

- Mihir Desai:** Currently in the COVID scenario, do we see the situation improving in H2 of this year?
- Atul Tantia:** Predicting these things is something that I think is out of my bandwidth.
- Mihir Desai:** Specifically, just needed update on DFCC Concrete sleeper especially on the GMR order that we are executing?
- Atul Tantia:** Like I said we are at 55% to 60% capacity due to labor issues.
- Mihir Desai:** Sir lastly just wanted to know that what is the current average cost of debt for the company?
- Atul Tantia:** It is about 11.5%.
- Mir Desai:** Sure Sir. That is all from my end. If I have further questions, I will join the queue.
- Moderator:** Thank you. The next question is from the line of Shruti Sharma an Individual investor. Please go ahead.
- Shruti Sharma:** Actually, I have two questions to ask. Firstly, I just wanted to understand seeing the current condition in the country, lot of funds which government has actually given for welfare, medical facilities and all, so in this situation what kind of expenditure do we expect on the infrastructure in the current year and what kind of order inflow do we expect in this year?
- Atul Tantia:** So, in terms of government spending to revive the economy, infrastructure is one of the best tools because it generates a lot of employment and it also generates demand for steel, cement, and other ancillary products. We feel that the government did not reduce its focus on infrastructure especially because of the focus also on the national infrastructure pipeline that was announced by the Finance Minister. In terms of labor issues also, it allows the employment to be generated so that is also a focus area of the government. For the order inflow for the year, like I had said in one of my previous remarks, we expect this year to have order inflows of almost Rs.800 to Rs.1,000 Crores in this financial year.
- Shruti Sharma:** Sir in which segment do you expect order inflow?
- Atul Tantia:** So it is going to be from railways and infrastructure mostly sleepers like I said earlier, the South African contracts will get renewed so that would be an order inflow, but other than that we do not have much of order inflows in the sleeper segment.
- Shruti Sharma:** One more thing I wanted to understand as you said in the earlier remark that currently we are working at 60% of total capacity so when do we expect the normalcy in the business?



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Atul Tantia: It totally depends on the pandemic and when all these restrictions in terms of social distancing and all are reduced; however, we have implemented necessary SOPs, which have allowed us to operate at almost 70% capacity and right now it is also the monsoon season so anyway it becomes lean for construction activities. Post monsoon I think the pandemic will also subside and the work will also begin in full stream.

Shruti Sharma: So we can expect that in H2FY21?

Atul Tantia: Q3FY21 onwards I would say.

Shruti Sharma: That is all I wanted to know. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Are we facing any pressure on the receivables side?

Atul Tantia: There is no issue with respect to receivables like I said earlier, our liquidity position is quite decent and our cash flow from operations also did well last year and we expect it to be healthy this year as well.

Anurag Patil: Second question Sir, ignoring this current year's COVID impact what kind of growth rate we are targeting over the next three to five years in terms of revenue growth?

Atul Tantia: I think we will grow at 15% to 20% for the next three years, we have to factor in the COVID-19 impact obviously we cannot ignore it, so 15% to 20% CAGR would be a decent target.

Anurag Patil: Okay Sir. That is all from my side. Thank you very much.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Atul Tantia for closing comments.

Atul Tantia: Thank you everyone for your participation in our Q4 FY2020 earnings call. I hope that everyone stays safe. In case if you have any further queries, you may get in touch with us or with Stellar Investor Relations. Thank you and have a good day.

Moderator: Thank you. Ladies and gentlemen on behalf of GPT Infraprojects that concludes this conference call. Thank you for joining us and you may now disconnect your lines.