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GPTINFRA/CS/SE/2021-22

February 05, 2022

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 02nd February, 2022 – 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 31st January, 2022, please find enclosed herewith transcript of Conference Call held on Wednesday, 02nd February, 2022.

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: 2022.02.05 10:38:40 +05'30'

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

Encl. – As Above

"GPT Infraprojects Limited
Q3 FY2022 Earnings Conference Call"

February 02, 2022

MANAGEMENT: MR. ATUL TANTIA – EXECUTIVE DIRECTOR & CFO

Moderator: Ladies and gentlemen, good day and welcome to the GPT Infra Project's Q3 FY2022 earnings 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. 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 a warm welcome to GPT Infra Projects Limited third quarter and nine months ended December 31, 2021 earnings conference call. The result presentation along with our press release has already been uploaded on the company's website and that of the stock exchanges. We hope you have had a chance to go through the same. Today on the call, we also have with us, Stellar IR our Investor Relations Advisors.

As you all are aware the Indian economy continues to gain momentum to reach normalcy backed by successful mass vaccination campaigns and the focus of the Government of India to impetus GDP growth, the third wave of the pandemic has been efficiently managed in India guarding material impact on the domestic business.

At GPT we experienced a strong execution momentum with robust order inflow of Rs.400 Crores during nine months ended FY2022. We have always rewarded our shareholders and today I am happy to announce that the company has announced an interim dividend of Rs.1.5 per share which translates to 15% of the face value during the quarter.

The Union Budget for 2022-2023 released yesterday, the 1st of February, 2022 has put in focus the PM Gati Shakti Yojana. This plan lays for emphasis in both the areas of our operation that is roads and railways. The government is aiming at world-class modern infrastructure and logistics synergies.

I would like to highlight a few key points where this budget has focused for railways and roads. The budget allocation towards railways is Rs. 140,000 Crores whereas the budget allocation towards roads, transport and highways is approximately Rs. 199,000 Crores. This is one of the highest ever budget allocations.

Formulation of the master plan of 2500 kilometers expressway or National Highway will be completed by 2022-2023. Four Multi-Modal Logistics Parks through PPP to be awarded in 2023, integration of postal and railways network facilitating passive movement that focus on one station one product model to help the local business and supply chain progress.

With the government's focus on capex and new development in the infrastructure segment, we expect the coming fiscal to open the door for new opportunities and growth for us.

Now coming to our financial performance during the nine months ended FY2022, the company reported standalone revenue of Rs. 405 Crores against the revenue of Rs. 369 Crores last year in nine months ended FY2021, which is a growth of 9.6% year-on-year. This was backed by a significant execution in the infrastructure segment.

The standalone EBITDA for nine months ended FY2022 stood at Rs. 61.4 Crores against Rs. 59.2 Crores in nine months ended FY2021. The EBITDA margins were 15.1% well above our huddle rate of EBITDA of 13% to 14%. The margins remain intact even after considering the impact of pandemic disruptions.

The company's focus to enhance cost efficiencies has enabled us to report a strong growth of 31% year-on-year in the reported PAT at Rs. 14.8 Crores as against Rs. 11.3 Crores in the previous nine months.

Coming to segmental performance our infrastructure segment seems strong for the quarter and nine months under December 2021. During nine months FY2021 the infrastructure segment witnessed a growth of 13% year-on-year, whereas in the Q3 for 2022 the segment saw a growth of 8% year-on-year and 45% growth sequentially which was backed by pickup in execution activities.

The segment continues to be a major part of the business contributing approximately 83% of entire revenue in nine months FY2022 at 96% of the total EBIT for nine months at FY2022. The revenue for nine months FY2022 stood at Rs.336.5 Crores as against Rs. 297.5 Crores in nine months at FY2021. The reported EBIT over Rs.54.3 Crores as against Rs.44.7 Crores nine months at FY2021.

Coming to the Sleeper segment, the revenues from this segment started at Rs.68.4 Crores as against Rs. 100.8 Crores in nine months at FY2021. This was mostly an account of COVID related disruptions in the South African business, which has also resulted in impact on the margins as well. With normalcy returning, we expect the business to ramp up to the levels of the previous year in the coming quarters.

The company is focused on strengthening its balance sheet and taking proactive efforts towards achieving the same.

In terms of leverage and liquidity positions both have shown significant improvement year-on-year. We have been optimizing our working capital in addition to pairing old outstanding with various customers, we have been able to receive almost Rs.6 Crores of old receivables in nine months FY2022, and we are well on target to achieve our target of Rs. 10 Crores to Rs.12 Crores which we had set out at the beginning of the year.

In the last quarter, we expect to receive another Rs. 3 Crores to Rs. 4 Crores which will help us to meet the target which we had set out of Rs. 10 Crores to Rs. 12 Crores.

In terms of the order book as on December 31, 2021 we had a robust order inflow of Rs. 400 Crores which resulted in a net order book as in January 1, 2022 at Rs. 1790 Crores that is 3x our FY2021 revenues.

One of the major contracts that we were awarded in December was of Rs. 188 Crores plus GST from Maharashtra Rail Infrastructure Development Corporation Limited for construction of a cable stayed road ROB at Byculla Railway Station. This is in line with our previous experience of similar contracts for construction of our cable stayed ROB at Burdwan Railway Station and goes on to show our core competence in the sector.

Now let me share with you some key highlights and key contracts for the current fiscal. We are executing two major contracts for RVNL which is a contract in Ghazipur and for Mathura-Jhansi third line for RVNL. These contracts once completed will take us to the next level of growth and will enable us to bid for contracts up to Rs.1000 Crores from the current size of Rs. 700 odd Crores.

Execution of Ghazipur order is running smoothly and we expect the same to be completed by 2023. Similarly Mathura-Jhansi is also running very smoothly and we expect the same also to be completed by 2023. Both these contracts are running at an average quarterly run rate of Rs. 30 odd Crores.

Like I said the recently received contract for ROB on Byculla Railway Station was received only in December; however, the operation of the same has already started and given our past experience in constructing similar cable stayed ROBs in Burdwan, we expect the work to start soon.

In the concrete sleeper segment the GMR contract continues to progress well and which we expect the contract to complete over the next six months and the receivables will also contribute to reduction in the working capital cycle.

Our current order pipeline is Rs.1790 Crores with L1 orders amounting to approximately Rs. 250 Crores and we believe that the government's impetus on railways and will enhance our eligibility capabilities and lead to companies further the growth trajectory.

With the budget having a strong focus on public capital expenditure especially towards our sector of operation and normalcy returning we are confident enough to scale up our business going forward.

We are continuously exploring new opportunities and aim to get projects keeping in mind the management's discipline of healthy margins in the range of 14%.

This is all from my side. I will now ask the moderator to open the call for any questions and answers. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Monica Arora from Share Giants Wealth Advisors. Kindly proceed.

Monica Arora: Good morning Sir. Thank you for giving me this opportunity. In line with the yesterday's Union Budget what is your view and what are the opportunities in the railway sector that will benefit our business?

Atul Tantia: Like I said in my opening remarks the Union Budget allocates almost 140,000 Crores towards the railways. This has opportunities for new lines; it has opportunities towards large bridges which is our area of core competence. The focus remains to complete the dedicated freight corridor and also the three new corridors that were announced previously wherein the initial project surveys are going on and they will continue to be our focus area going forward as well.

Monica Arora: We see that government is much more focused towards urban connectivity so do you think that will benefit our company?

Atul Tantia: Yes, we are seeing a lot of focus from metro contracts we have recently like I said we bagged the contract in the heart of Mumbai in Byculla so a lot of focus is there in the urban connectivity metro projects in the country. We have also received a lot of funding in the budget announced yesterday and there is an announcement also in terms of standardizing a lot of metro designs which will lead to faster execution going forward as well.

Monica Arora: Okay and if you could give me the number for the order pipeline for concrete sleeper business?

Atul Tantia: Concrete sleeper has an order pipeline of approximately Rs. 121 odd Crores and the balance is from the infrastructure segment. In addition to that we expect in this quarter to get the contract in South Africa as well which will again contribute healthily to the topline and bottomline as well.

Monica Arora: Do you think we will be able to maintain this order book going forward?

Atul Tantia: Yes, we have always had a strategy to maintain order book at 3x the trailing 12 months revenues and that is what it is at current levels and we are quite confident of maintaining that level as well.

Monica Arora: Thank you so much. All the best.

Moderator: The next question is from the line of Renuka Jadhav an individual investor. Kindly proceed.

Renuka Jadhav: Good morning Sir. My question is only debt part so what is the repayment target for the entire FY2022 and can you give us a ballpark repayment targets for FY2023 and FY2024?

Atul Tantia: We have mostly short-term debt. The long-term debt is quite less. It is not that huge a number. The working capital for sites that the company does enjoy with the various banks they do not have a repayment schedule per se. In terms of the long-term debt in FY2023 it will be a repayment of almost Rs. 12 odd Crores. In addition to that we expect to pare down some of our working capital facilities as well. So I think that overall for FY2023 we expect a debt repayment of almost Rs. 25 Crores which is approximately 12% to 13% of our limits.

Renuka Jadhav: Okay so how much is the working capital requirement and what are the steps initiated for an efficient working capital cycle going forward?

Atul Tantia: the With the GMR contract completing; a lot of the cash flows will get released ; which will reduce our working capital cycle further. We have always had a policy to maintain working capital cycling closer to 100 odd days, which is quite at par with the industry standard and we expect it to further better going forward with the GMR contract getting finished in the next six to eight months.

Renuka Jadhav: Thank you.

Moderator: Thank you. The next question is from the line of Viral an individual investor. Kindly proceed.

Viral: Good morning Sir. Congratulations on a good set of numbers once more. I have a couple of questions if I may. First is I think on the concrete sleeper business your consolidated profit is lower than your standalone profits. Is that because of the drag from South Africa?

Atul Tantia: Yes. Apart from South Africa there is no other worries or consolidation happening, mostly South Africa and then Namibia comes below the line as a share of profit from the associate at Rs 2.5 Crores to Rs. 2.6 Crores odd.

Viral: Okay and do you believe that South African operations will resume some level of normalcy or stability anytime soon or do you think there is still some uncertainty ahead?

Atul Tantia: At South Africa, we expect the order to come through in the next one- one and a half months. With that the operation should resume normally.

Viral: Okay and then on the receivable days as well I think what is the working capital days now?

Atul Tantia: Receivable per se will be closer to 52-odd days, working capital cycle would be closer to 130 odd days. I will have to check it is to subject correction. I do not have the number off-hand available right now with me but receivable we expect it to come down significantly with the completion of the GMR contract with that lot of the cash flow cycles will get released and the receivable cycle will come down closer to 100 odd days.

Viral: The reason I asked this is because I think a lot of your business is also coming from the railways and the government so is that a cause of concern? Are you seeing me stretching of payment from government agencies?

Atul Tantia: No. We are not at all.

Viral: If I may ask one more question, I think on this on the announcement made in the budget yesterday there is a significant amount of stress that is being given for infrastructure so do you see yourselves as any direct beneficiary of some of these schemes that have been announced especially the freight corridors and all which they are planning to create? Is there any incremental demand that you can see immediately or is this something that is going to happen only in the medium term?

Atul Tantia: No, freight corridor would obviously lead to a lot of impetus in terms of order pipeline especially the last leg of the eastern corridor which is from Son Nagar Bihar to Haldia that will lead to a lot of incremental demand, our concrete sleeper factory is also located on the corridor and there will be a lot of opportunities in terms of the new corridors both in terms of the concrete sleeper business as well as the infrastructure business. In both the segments we have done work in the existing corridors and we expect to be successful in bidding for some of the projects going forward as well.

Viral: Because they had also announced 400 new Vande Bharat trains so you know would that require any incremental infrastructure spend on the existing routes in terms of upgradation.

Atul Tantia: Obviously, they will need to be upgraded because these Vande Bharat trains run at130 kilometer per hour, 140 kilometer per hour compared to the current speed of 70 odd kilometers per hour. So there will be some the infrastructure will need to be in line with to support these faster trains in some sense because railway also has a policy of maintaining a zero accident policy so they will also need to upgrade the existing network to ensure that these 400 odd trains whichever announced yesterday need to be at par with like for example Rajdhani routes which are significantly upgraded routes compared to what they were earlier.

Viral: I think one last question if I mean I know I am taking up some time is on the guidance going forward. Could you give us some guidance on revenue and profitability for the next couple of quarters at least?

Atul Tantia: Guidance in terms of at EBITDA level we have always had a hurdle rate of 14% and we expect to be north of that. With interest coming down, we expect PAT to be also closer between 4% to 5% and going in the next maybe one to two years we expect to have a PAT level up almost 5%. Revenue as such would grow at a CAGR of 15% to 20%.

Viral: Thank you. All the best.

Moderator: We have the next question from the line of Suhas Naik from Creda Capital. Kindly proceed.

Suhas Naik: Good morning. Thanks for this call. I have a couple of questions; the first question is in terms of the current order book what is execution pipeline here over what period of time or how it is likely to get executed?

Atul Tantia: All our contracts basically will be over next two to two and a half years so this current order book of Rs. 1,790 crores odd cross would be executed over two to two and a half years.

Suhas Naik: Two and a half years. Now because looking at the balance sheet the existing balance it is capable of how much execution annualized basis?

Atul Tantia: Infrastructure companies really do not work on that in terms of how the balance sheet is. It depends on your credentials, in terms of having executed similar contracts. Like I said in my opening remarks our current single ticket size is that we can bid for is about 700 Crores, two large contracts that we are doing in Ghazipur and in terms of third line Mathura-Jhansi for bridges once those are completed in the next 12 to 15 months will allow us to bid for 1,000 Crores of new single ticket orders.

Suhas Naik: My point was because they have got debt on the book and we are working capital constraints considering the constraints of the balance sheet how much execution we can do in a year?

Atul Tantia: Debt on the books is not quite stretched. As per my statement I would say. Our current ratio in terms of the balance sheet is almost 1.35 which has improved significantly in the last couple of quarters and in with the existing resources and there will be a lot of internal accruals as well as we are executing the contracts, given the profitability, profitable nature of the business, we would be able to easily go up to Rs. 1000 Crores with our existing balance sheet.

Suhas Naik: Rs. 1,000 Crores of revenue?

Atul Tantia: Correct.

Suhas Naik: Great and any plans to generate equity, raise any equity right now?

Atul Tantia: No, we do not. At the current levels we have no plans to raise equity.

Suhas Naik: Thank you.

Moderator: Thank you. The next question is from the line of Harsh Singh an individual investor. Kindly proceed.

Harsh Singh: Good morning. Thank you for the opportunity. My first question, will the company be like able to maintain the number of order books as per the current years' of revenue levels going forward?

Atul Tantia: I think similar question was asked by an earlier investor as well. Like I said we have always historically maintained at 3x order book and we expect to maintain that momentum going forward as well.

Harsh Singh: My another question is which are the new segments like the company is like planning to enter other than bridges?

Atul Tantia: We are also doing metro contracts, we are doing contracts for roads as well, we have two contracts with North East totaling about Rs. 210 odd Crores for roads. We are doing metro contracts in Kolkata for ourRVNL , and we have already done as well so those are the new segments that we are entering into. We are also doing some of these waterways contact as well.

Harsh Singh: Thank you.

Moderator: Thank you. The next question is from the line of Harsh Bhatia from IDFC Mutual Fund. Kindly proceed.

Harsh Bhatia: Thanks for the opportunity. I just had one question sort of an extension of what the previous participant asked. These segments that you have highlighted the presence that we have across these segments waterways, roads, bridges etc., what sort of competitive intensity are we seeing at present across these segments and given the Union Budget that has come through where do you see the competitive intensity increasing? Are there any regulatory changes on the big bond requirements sort of things? So if you could provide your perspective at the ground level thinking that you guys are seeing? That will be very helpful from the competitive intensity front.

Atul Tantia: Competitive intensity was quite there till December 31, because the big bond requirements were quite minimal. Now the big bonds requirements have gone up because they were temporarily relaxed due to COVID up to December 31, 2021. So we expect the competitive intensity to somewhat subside. Having said that the management has had a quite a disciplined strategy earlier as well and in this financial year as well to bid for profitable contracts so we did at a hurdle rate of 14%-odd and that is why our quarter-on-quarter numbers have been north of that. We believe in a long-term that is a good strategy, sometimes when the competition is too high, you tend to not bag many contracts but like I said in the long term that rewards the companies and the management as well because you are able to maintain a healthy balance sheet and you do not have any stretch on the debt cycles and the working capital as well.

Harsh Bhatia: That is helpful. Just one last question from my side would be that in the last six months given where we were and the strong order book and visibility that we have which segments have we largely stayed away from the bidding perspective given that we were not seeing any profitability happening from those orders? So the last week last six months which of these segments would be the ones where we were staying away and in the coming six months also what would be your view like where would GPT be bidding more and more? So that would be my last question.

Atul Tantia: We stay away from a lot of the state government contracts because the payment cycles are quite stretched honestly. We bid for mostly central government contracts and sometimes one contract even for central government can have too much of competition which leads to someone or the other giving a lower bid than either we estimate or generally what the competitors are bidding at. We always like to maintain our hurdle rate and maintain our profit margins so we do not bid for contracts below that total rate. So it is a very disciplined strategy which pays off good returns in the long term. The segment I would say that we stay away from is mostly state government and municipal contracts. We do not like to bid for those contracts.

Harsh Bhatia: Our bidding strategy is largely dependent on the agency and the payer rather than seeing it in the light of roads, waterways, etc.?

Atul Tantia: It is mostly determined by the agency especially and also depends and another segment or another geographical space I would say that we stay away from is any segment in the country which is disturbed socially or politically because we are quite careful and are quite concerned with how our team and our assets are protected. So we do not like the bid for areas which are safe for example, affected by any insurgency or the likes.

Harsh Bhatia: Just one last question from my side would be just to get a better understanding for on the ground view a large EPC player also declared their results and they have been consistently highlighting that they have been having issues for payments from the railway side so they have not been receiving payments from the railway agencies especially RVNL and the likes. So what would be the situation for GPT? Have we been receiving the payments on time or is there some delay from the railway segment?

Atul Tantia: Fortunately, we have not faced any issues like that and we do not anticipate to face similar issues. How a competitor has or which contract they have I cannot comment on specific competition but for us as a company we have not faced any payment issues as on date and we do not anticipate that going forward as well. So we look at how railways has allocated funds for a particular project or a particular geography or even for that matter more than adequate funds for that particular geography or a particular project and then only we decide our bidding strategy and then on that basis we do invest in contracts.

Harsh Bhatia: Thanks. That is it from my side. Thanks.

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

Atul Tantia: Thank you everyone for your participation in our Q3 FY2022 earnings conference call. I hope that all of you stay safe and whenever eligible take your precautionary doses. In case you have any further questions, you may get in touch with our IR team Stellar Investors Relations or feel free to get in touch with us directly. 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.