GPTINFRA/CS/SE/2022-23

May 19, 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 16th May, 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 14th May, 2022, please find enclosed herewith transcript of Conference Call held on Monday, 16th May, 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: 2022.05.19 14:59:09 +05'30'

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

Encl. – As Above

"GPT Infraprojects Limited Q4 FY-22 Earnings Conference Call"

May 16, 2022

MANAGEMENT: **MR. ATUL TANTIA – EXECUTIVE DIRECTOR & CFO, GPT INFRAPROJECTS**

Moderator: Ladies and gentlemen good day and welcome to Q4 FY2022 Earnings Conference Call of GPT Infraprojects Limited. As a reminder, all participants' 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. Thank you and over to you sir.

Atul Tantia: Good morning, everyone and a warm welcome to GPT Infraprojects Limited Q4 and full year ended March 31st, 2022, Earning Conference Call. The Result Presentation along with our Press Release has already been uploaded on our website and that of the stock exchanges as well. We hope that you have had a chance to go through the same over the weekend.

Today on the call, we also with us Stellar IR, our Investor Relation Advisors. At the onset, we are extremely happy to announce that the fourth quarter of fiscal 2022, has been one of the strongest quarters in the history of the company on back of strong execution, healthy cash flow due to realization of old receivables from customers leading to improvement in return ratios.

We have always rewarded our shareholders on the back of strong performance and the board of directors have recommended to the shareholders a final dividend of Rs. 1.5 per share which taken along with the interim dividend announced in February of this year, works out to be Rs. 3 per at the full year 2022, which is one of the highest ever dividend that we have declared.

Now coming to our financial performance during the full year ended FY2022. Our revenue from operation came in at Rs. 669 crores as against Rs. 573 crores for the previous year which is the growth of almost 17% year-on-year. This was backed by a significant execution in the infrastructure segment.

The standalone EBITDA for the full year stood at Rs. 88 crores as against Rs. 85 crores in FY2021. The EBITDA margins remains stable at 13.2% despite the headwinds in raw material prices and the EBITDA has been north of the 13% hurdle rate that we have set historically for ourselves. For the past year, the company has not only focused on operations, but it also insured that its cash management improves and as a result, we are happy to report a much stronger 20.2% year-on-year growth in the PAT at Rs. 24.7 crores in FY2022 as against Rs. 20.6 crores in FY2021.

Some of the key steps that have helped profitability were as follows:

We have been optimizing our working capital and in addition to focusing on reduction of the outstanding with various customers. We have been able to liquidate some of these old outstanding and trade receivables have come down by almost Rs. 20 crores. Most of the old receivables which were previously qualified by the auditors have realized and a small part has also been written off leading to an unqualified audit report by the auditors.

One of the key highlights for the year has been a strong improvement in the cash flow from operations of Rs. 72.3 crores that is almost more than 80% of the EBITDA for the year driven by reduction in trade receivables and realization of old outstanding. This is also translated into reduction in borrowing by almost Rs. 10 crores for the year. As a result of this, we have an improving balance sheet leverage and generally a strong outlook for the company.

Credit rating for the company has been recently upgraded to BBB+ by CRISIL which was informed to the stock exchanges in April 2022.

Coming to the segmental performance:

Our infrastructure segment displayed strong execution prowess for the full year 2022. During FY2022, the infrastructure segment witnessed a growth of 19.4% year-on-year to Rs. 573 crores. In the Q4 FY2022, the segments saw a growth of almost 29% year-on-year to Rs. 273 crores which was backed by a strong pick up in execution activities. The segment continues to be a major part of the business contributing almost 85% of the entire revenues in FY2022 and 95% of the EBIT for the year. The order book for the segment stood at Rs. 1,549 crores.

Now coming to the sleeper segment. Revenues for the segment came in at for Rs. 28 crores for Q4 FY2022 and Rs. 101 crores for the full year FY2022. The muted performance of this segment can be attributed to the COVID related disruption in the South African business which has also resulted an impact on the margins as well. With normalcy retuning in the next couple of months, we expect the business to ramp up to the levels of previous year in the coming quarters. The order book in this segment were at Rs. 135 crores. In this segment, the company has also announced formation of a subsidiary in the Republic of Ghana to set up a concrete sleeper plant in that country.

In fiscal FY2022, we have bagged order of Rs. 531 crores including incremental orders from the existing contracts and as of March 31, 2022, we have a healthy order book of Rs. 1,684 crores forming approximate 2.5x of our FY2022 trading 12 months revenues and this provides a good growth visibility for the company. Our current unexecuted order pipeline is at Rs. 1,684 crores and we believe that the government investment in railways will enhance our eligibility capabilities and lead to company's further growth with a good trajectory.

Now let me share with you some key highlight and key contracts for the current fiscal:

We are executing two major contracts for RVNL, which is a contract in Ghazipur and Mathura-Jhansi third line for RVNL. These contracts once completed will take us to the level of growth and will enable us to bid for contracts upto Rs. 1,000 crores from the current size of the ~Rs.700 crores. The 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 to be completed in the next calendar year. Both these contracts are running at an average quarterly run rate of almost Rs. 30-40 crores. In fact, from the Ghazipur contract we achieved revenue last year, for almost Rs. 125 crores and the Mathura-Jhansi contract revenue last year, for almost Rs. 85 crores. Like I said in last quarter, we have received contract for ROB on Byculla railway station was received in December. The operations have already started and given our past experience in constructing similar cable-stayed bridge in Burdwan, we expect the work to pickup soon. In the concrete sleeper segment the GMR contract continues to progress well, and we expect the contract to complete over the next six months and our receivables to significantly reduce, which will also contribute to reduction in the working capital cycle. 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 expect to get projects keeping in mind the management disciplines of healthy margins in the range of 13-14%.

Now before we move on to Q&A, let me take you through some key highlights for the sector:

The CAPEX for FY2023 have been increased by 35% to Rs. 7.5 lakh crores which is 2x of FY2020 budget and it will account to 3% of India's GDP. For railways the budget allocated Rs. 140,000 crores, which is the highest ever budgetary allocation for the railway sector. In the next three years, the government of India is planning to launch 400 plus Vande Bharat trains in India and around 2000 km of network which we brought under the "Kavach" program. Safety of course is one of the major focus areas for the railways. The Railways is planning to construct new railway lines around 300 km and doubling of 1700 km of railway lines.

In terms of state-wise allocation of the Indian railways

Rs. 12,110 crores has been allocated to Madhya Pradesh where ongoing projects include 35 new line gauge conversion, doubling projects covering 6,104 km and costing Rs. 81,000 crores.

Rs. 11,903 has been allocated to the state of Maharashtra where ongoing projects include 35 new line, gauge conversion, doubling projects covering 6,142 km and costing Rs. 91,000 crores.

Rs. 10,262 crores have been allocated to the state of West Bengal where ongoing projects include 53 new line, gauge conversion, doubling projects covering 4,400 km and costing Rs. 55,000 crores.

Similarly, Rs. 9,700 crores has been allocated to state of Orissa, where ongoing projects is 37 new line, gauge conversion, doubling projects covering 4,600 km amounting Rs. 65,000 crores.

With this, I will ask the moderator to open the floor to any question and answers. Thank you.

Moderator: Thank you very much. We will now begin the questions and answers session. The first question is from the line Rohit Natarajan from Antique Stock Broking Limited. Please go ahead.

Rohit Natarajan: Sir, my first question, this is a critical year for the two big projects, RVNL projects that we are concluding, I think both projects put together should probably contribute Rs. 150-200 crores to the revenue. Once that is done, you have addressed some big projects coming up in the pipeline too. But if you could help us in terms of what is the near-term prospects of orders that you could win because last year, I understand that we had dip in terms of order inflow in comparison to what we did in FY2021, is there any thought given on what should be the order intake in this year, how is the execution going to see in FY2023 as well as in FY2024?

Atul Tantia: Our order book, like I said in my opening remarks is at Rs. 1,684 crores. The two contract that you mentioned Ghazipur, and Mathura-Jhansi contributed in FY2022 at Rs. 210 crores to be precise in terms of their contribution to the revenue of Rs. 670 crores. The unexecuted portion for those two contracts are part of Rs. 1,684 crores, obviously last year there was a dip in terms of the new order inflows from Rs. 932 crores in FY2021 to Rs. 531 crores in FY2022, a Rs. 400 crores dip. We expect to have a better strike rate in FY2023, because FY2022, due to COVID, the central government had relaxed the earnest money criteria for most of the tenders and they have withdrawn the relaxation of earnest money as it had led to unhealthy bidding discipline. However, as we as the management have been always saying this and are very conscious of the hurdle rate of EBITDA that we bid for in terms of contracts and that is why we were happy to not get contracts which were below our hurdle rate in terms of EBITDA level. With this easement of restriction now being removed from January 1, 2022, we are seeing the new tenders having lesser competition. So, we expect the tendering part to do much better this year. In terms of target to get new orders, obviously, we expect to maintain the 2.5x times FY2023 revenue when we close FY2023. That has always been historically what we do target at, so I think that FY2023, we should close with an order book of close to Rs. 2,200 crores. We are targeting a new order into almost Rs. 1,000-1,200 crores inflow this year. We were biding, for single order of almost Rs. 300-400 crores as we speak often maybe we are biding, for couple of large order as well. So let us see how that converts.

Rohit Natarajan: Yes, once these two critical projects is completed, you will be prequalified to do the bigger ticket projects.

Atul Tantia: Yes, we will be qualified to do even Rs. 1,000 bridges but now we are in joint venture with someone we are actually biding for a Rs. 1,000 crores bridge on a Rs. 950 crores bridge. So, we are bidding for larger bridges projects are well.

Rohit Natarajan: Okay, second question is on the margin's part, I understand across the industry there is this hardening of input prices which is denting into the margins, we could see that in Q4 FY2022, your results as well. Can you give us some color on how this will shape up in the future quarters to come by and are we building in this kind of insulation mechanisms in the new order inflow?

Atul Tanita: All of our contracts whether it is in the infrastructure segment or whether in the sleeper segment have a price escalation formula. Having said that some of these indices how they do move, I am sure that you are aware, have some lag in terms of when the indices actually reflect the actual market rates. So that is why the margins are slightly subdued, reflecting the lag because you are accruing as RBI indices, WPI or whatever it is. Every contract has their own indices. So, I think that in terms of contingency or building in terms of new biding discipline, we are definitely conscious of the fact that due to this the working capital cycle has got stretched because the input prices have gone up. We are obviously factoring that in when we are biding and our biding discipline has been quite strong, if you see, never in the last 10 years our EBITDA has not dipped below 13%. Even in this year, for the full year EBITDA is north of 13%.

Rohit Natarajan: Finally, if I may ask you one more question, to do with the South Africa business as such, help us understand what those numbers would like especially on their share of associate profit that sustainable number could possibly be seen in FY2023.

Atul Tantia: The South Africa does not come as share of associate profit; South Africa is a subsidiary so what you are referring to is Namibia. Namibia comes a share associate profit. So, Namibia has done the highest ever revenue in the history of that associate of almost 94 million Rands which translates to almost to Rs. 50 crores. This financial year, also we expect a similar performance from that associate. That has done superbly well, we have given dividend to the parent company and the other shareholders as well and they have been able to keep a check on the costs and have a good EBITDA as well as profit margins to that.

Rohit Natarajan: So, I understand they are doing concrete sleeper business and this number that is Rs. 5 crores contribution to this line item is sustainable and secular in nature. Is that my reading, right?

Atul Tantia: Rs. 5 crores is actually net off the loss in South Africa. Regarding Rs. 5 crores being sustainable number honestly, the sustainable number is Rs. 3 crores. But having said, if it was Rs. 3 crores then obviously, the results above it include a loss for the operations in South Africa due to the COVID-related shutdown in South Africa. If I were to do only Rs. 3 crores from that associate in Namibia then my number above it would be much higher.

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

Mohit Kumar: Sir, my first question is on the revenue guidelines for the FY2023 and the EBITDA margin, I joined the call late, so sorry I am repeating that.

Atul Tantia: In terms of revenue guidance, we expect a revenue growth of almost 15-20% CAGR over the next three years and EBITDA margin would be, we have always maintained our EBITDA hurdle rate of 13%, so it will be north of 13% in terms of EBITDA.

Mohit Kumar: So, you think this EBITDA margin for this quarter was at blip and that will get back to 13%.

Atul Tantia: If you heard the previous call the person who asked the question from Antique, Mr. Rohit. I think that across the industry this quarter due to the commodity price there has been a dip in the margins because the RBI indices do not immediately translate in terms of the actual prices. It might a one month or two months drag on the indices when they are published. So that is why the margins for quarter have been slightly dipped. But overall, for the year we are north of 13% anyway.

Mohit Kumar: So how much is cost inflation you have seen for the orders executing in percentages terms?

Atul Tantia: It depends on when they were or so, if I were to compare the orders of bagged three years ago. Then may be today it would be a 25-30% in terms of where the base price is.

Mohit Kumar: Coming on the order inflow, I think we are targeting Rs. 1,200 crores order inflow for FY2023. Is this primarily from railway or there is something we are looking from the other sectors, if I am correct, I think you are targeting a respective to?

Atul Tantia: So, we are doing railways we are also doing MORTH contracts but primarily bridges, I would say not primarily railways, the bridges whether it is MORTH railways and NHAI and other PSU or the central governments especially.

Mohit Kumar: And Sir you mentioned about the biding parameters, the guarantees and another things, are going back to the original level. Is it true for across all the segments or is it you are talking mainly about railways and have you seen the competition going back to the earlier level or you still think the competition is still slightly higher compared to let say.

Atul Tantia: I think that now the competition will ease out because early without the biding, the earnest money deposits, there were lot of competition we were seeing from tenders having even 30 odd bids which is quite unhealthy, but now I think it will be back to the 6-7 bids that is normally there.

Mohit Kumar: When you say railways are doing mean only ministry of railway or all the RVNL, IRCON orders everything put together.

Atul Tantia: We do cross the PSU as well including RVNL, IRCON RITES, other branches as well not just the ministry of railways.

Mohit Kumar: Lastly Sir, are you trying to build some more capabilities for enhancing your EPC offering for in medium term.

Atul Tantia: We have done a joint venture with the French company to rehabilitate a bridge over Hooghly in Calcutta, second Hooghly bridge. So, we are exploring new offerings whether to rehabilitate bridges which are quite old, that is Rs. 160 crore contract for us. We are also doing some other industrial works water pumping stations in the likes which should improve our EPC offerings as well.

Moderator: The next question is from the line of Vinita Pandya, an individual investor. Please go ahead.

Vinita Pandya: I just wanted to know in the presentation you mentioned debt reductions and a reduction in booking capital debts. If there would not be any further improvement in this and what would be the targets you think?

Atul Tantia: Last year, we have done a debt reduction of Rs. 10 crores and that is FY2022 and this year the target is reduce debt by almost Rs. 15 crores.

Moderator: Thank you. The next question is line of Sandeep Shah, an individual investor. Please go ahead.

Sandeep Shah: So, your press release talks about setting up of a subsidiary in Ghana, so can you please elaborate on like what is this for and give some more details about this?

Atul Tantia: Along the lines of South Africa and Namibia, the company is exploring to setup a concrete sleeper plant in Ghana and that is why the press release mentions that the board has approved the formation of a subsidiary in Ghana to set up a concrete sleeper plant. We are on the verge of finalizing the contract in Ghana, once that is finalized then we will obviously inform the stock exchanges and the public at large in terms of once the subsidiary is able to get the contract and that would entail setting up for concrete sleeper plant in Ghana on a single like we have done in South Africa and Namibia.

Sandeep Shah: Another question is that you witnessed highest ever kind of run rate in the infrastructure segment. So can we assume this run rate to continue in the coming quarter as well.

Atul Tantia: The fourth quarter of every financial year has some better run rate given the government's focus on the capital outlay, capital expenditure as well. So, the run rate of fourth quarter cannot be assumed to the carried forward in Q1, Q2, and Q3. Having said that, like I said to one of the previous questions in terms of guidance, I think that we expect a 15%-20% CAGR in terms of growth and that is something that we would expect across all the four quarters rather than just being bundled up in the last quarter as such.

Moderator: Thank you. The next question is from the line of Kalpesh Parikh from JSM Advisory. Please go ahead.

Kalpesh Parikh: Sir, I have couple of question, one mainly on the business model particularly on the infra side, are we working something on this bullet train project or something like that as well apart from the Bharatmala and PMGSY scheme?

Atul Tantia: We are not having contract for the bullet train, primarily L&T has most of those contracts. We are doing our contracts for DFCC, we are doing metro contracts but not on the bullet train.

Kalpesh Parikh: Okay, but is there any opportunity for us to do something?

Atul Tantia: We have bid for one or two contracts we have not been successful, but we have bid for one or two bridges contract there but not been successful.

Kalpesh Parikh: Okay on the sleeper segment side is it very competitive among the peers as such. Is there any opportunity for us to improve upon the margins in that way?

Atul Tantia: So. the sleeper actually how the margin is getting reported and is that at EBIT level the margin is lower but sleeper segment due to contracts in GMR it will carry a much higher depreciation because we generally like to depreciate the contract, the civil works and plants and building over the life of that particular contract. So, that is why since the GMR contract is coming to close to the nest 6-8 months that is carrying a higher depreciation. So, the number that is reported in terms of margin is EBIT. So, depreciation is getting charged quite a lot on the sleeper contract. At the EBITDA level the sleeper is also having of margin of almost 13-13.5%.

Kalpesh Parikh: And all this lockdown in South Africa which had impacted us in FY2022 all that thing is behind now, probably situation has started unfolding for us in that geography.

Atul Tantia: In terms of lockdown, it has eased out, but we are working with South African railway which is Transnet Freight Rail they have had their own issues, many of their employee have unfortunately passed away in COVID. So, there is some change in the leadership there. So that is why they are taking some time in terms of releasing of the orders. We expect them also get streamed at in the next couple of months and then the operation should resume.

Kalpesh Parikh: And Sir what are the CAPEX requirement for us in the next couple of years?

Atul Tantia: CAPEX requirement other than this Ghana which I was answering during the earlier question would be in the range of Rs. 20-25 crores.

Kalpesh Parikh: Sir that would be funded internally right, we do not need any money, it would be working capital funding only.

Atul Tantia: We do take some equipment finance but that is very small portion. Our total equipment finance as on March 3, 2022, is about Rs. 8-9 crores not a very significant amount.

Moderator: Thank you. The next question is from the line of Sadanan Shetty from True Equity Advisors. Please go ahead.

Sadanand Shetty: We have noticed in this particular month there was a huge volume in public market got traded substantially had volume, any new strategic partners have come in that you are aware of it?

Atul Tantia: I am saying that there is no strategic partner that is coming into the business. The promoter is continuing to hold 75% shareholding and if the trading volumes increase or decrease depends on the market how they see the sector and the company as such.

Sadanan Shetty: No not at all, this is pretty unusual and very high almost 2-3% of the data backing the capital in few days, if not strategic any large investor that something you are aware of it.

Atul Tantia: There is no large investor that has come in, it is well diversified holding that is why no large investors that is there.

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

Atul Tantia: Thank you moderator once again. So, thank you everyone for participating in our Q4 FY2022 Earning Conference Call and the for the full year end of March 31, 2022. In case if you have any further question, you may get in touch with IR teams Stellar Relations or appreciate to get in touch with us directly. I hope you all are staying safe. Thank you and have a good day.

Moderator: Thank you. On behalf of GPT Infraprojects Limited that concludes this conference. Thank you for joining us and you may now discount your lines.