



GPT Infraprojects Limited  
Q3 FY 2016 Earnings Conference Call

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**Moderator:** Ladies and gentlemen, good day and welcome to the GPT Infraprojects Limited Q3 FY16 conference call. 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, please signal an operator by pressing '\*' then '0' on your touchtone phone. I now hand the conference over to Mr. Atul Tantia - Executive Director, GPT Infraprojects. Thank you and over to you, sir.

**Atul Tantia:** Thank you, Vivian. Good afternoon, everyone and a warm welcome to our earnings conference call for the quarter three ended December 2015. I have with me representatives from Stellar IR Advisors, our IR Advising Firm. I hope you have all received the 'Updated Presentation' from them; we have also uploaded the same on our website for your reference and on the BSE website. I will give a brief summary of our operational and financial performance for the quarter and the growth prospects, and thereafter we will take questions.

Just to give you a brief overview of our company, GTP is a Railway focused Infrastructure Company based out of Calcutta with EPC as one of key capabilities. EPC comprises 75% of our top-line and involves largely construction of Railway and other Bridges. We have created a strong foothold in this segment wherein we have a robust track record of construction of complex bridges. Some of our credentials in this segment include construction of the longest rail-cum-road bridge over river Ganga at Patna and two out of the four mega bridges for Indian Railways. Balance 25% revenues comes from manufacture of Railway Concrete Sleepers. We are one of the key suppliers for Indian Railways for the Eastern Region and have long-term relationships with Railways since 1982.

Our Sleepers manufacturing facility is in Panagarh in West Bengal near Durgapur. We are also present in the international market for concrete sleepers manufacturing with facilities in South Africa and Namibia. In total the three facilities we have combine capacity of almost 1 million sleepers per year.

Let me first discuss with you the industry opportunity and the recent developments and then I will take you through our results. The government is focused on reviving the Indian Railways, which has suffered from investments for a long time. The Railway Minister in his last budget had made five-year roadmap targeting an investment of almost 8.5 lakh crores over FY16 to FY20. The focus is on improving safety, increasing capacity and finding new sources of funds. The government has already taken tactical measures for the immediate term which include tying up with institutional funding, delegation of power to Zonal Managers for faster decision making, cutting short the approval processes, and many other similar initiatives.

For GPT the opportunity lies in a number of sectors including track renewals works on ROBs and RUBs, network decongestion, and expansion including the Dedicated Freight Corridor. The railway budget of 2016 has proposed 970 road under bridges and road over bridges. We consider the cost to be approximately Rs.6,500 crores. Moreover, under the Sethusamudram Scheme, the Road Transport and Highways Ministry will undertake construction of almost 350

Bridges ROBs. All these combined present a huge opportunity for GPT. We have already received three contracts of Rs.100 crores plus each for ROB construction in this financial year.

The Dedicated Freight Corridor presents an additional growth area for us both in terms of sleepers manufacturing as well as bridge construction. The Dedicated Freight Corridor have a total length of almost 6,000 kilometers and all the tracks are double line tracks. Each kilometer generally requires close to 1,600 Sleepers, but the opportunity is huge as along 10 million sleepers are to be supplied for this market.

GPT has recently won a contract from GMR Infrastructure for Rs.250 crores on the Eastern Dedicated Corridor in which we are setting up two facilities in Uttar Pradesh for this specific project.

Now, let me walk you through the Performance for this Quarter and the Nine Months Ended 31st December, 2015. This quarter's performance has been in line with our expectations; the revenues for quarter were at Rs.123 crores, a strong growth of almost 50% year-on-year. Our EBITDA for the quarter ended is Rs.21 crores compared to Rs.16 crores in the corresponding quarter last year, a year-on-year growth of almost 33%. EBITDA margin was close to 17%.

Our focus has been to maintain our EBITDA margin. As you would see over the last couple of years our revenues have been flat but our margins have been maintained at 13% to 14% as we continue to focus on projects that met our hurdle rate.

Profit after tax has grown disproportionately, higher than our revenues. We reported PAT of Rs. 3.5 crores in the current quarter with a margin of 2.9%. We are focused on improving our working capital cycle, which got stretched in the last fiscal owing to slower payments and project certifications from clients. There have been consistent follow-ups on pending collections in the current projects and for our new projects. Most of them have more mobilization in advanced conditions partly interest free and partly interest bearing, which has also led to better working capital cycle.

In addition, there is rigorous follow-up in terms of faster payments from clients. This year, in terms of order book, has been very robust for us and we have received orders to the tune of almost Rs.880 crores in FY16 so far. Our total unexecuted order book stands at Rs.1,830 crores with an average execution cycle of two years - two and half years.

Of the above EPC order book is close to Rs.1,400 crores and the rest is order book of Concrete Sleepers. Our average ticket size is also increased from Rs.35 crores to Rs.40 previously now to Rs.80 crores - Rs.85 crores.

Going forward we see huge opportunities on both on the back of huge CAPEX plan by Indian Railways and other government departments. This would benefit our EPC as well as Sleeper manufacturing segment. We have a strong presence in Africa being one of the three suppliers

in South Africa and the only supplier in Namibia. We see good prospects in these markets where transportation infrastructure demand is growing.

For the full year FY16, we expect the top-line to grow by at least 25% and continue to maintain our EBITDA margin in the range of 15%. We will strive to reduce our interest expenses as we bring down our working capital cycle.

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

**Moderator:** Thank you, sir. Ladies and gentlemen, we will now begin with question and answer session. The first question is from the line of Pratik Singhanian from Param Capital. Please go ahead.

**Pratik Singhanian:** Question was for the overseas Concrete Sleepers business, what kind of a local currency growth did we witness for the quarter because I guess in INR terms we have de-grown by almost 12% Y-o-Y and our margin has also contracted a bit compared to last year.

**Atul Tantia:** Yes, so in terms of local currency we have grown by almost 20% in top-line and the bottom-line has also grown by almost 7% to 8%. When the consolidation does happen, as you are aware, the currency in South Africa as well as Namibia has depreciated quite a bit compared to the dollar. So, in consolidation you are right that there has been a de-growth of almost 10%.

**Pratik Singhanian:** And if I were to adjust this foreign currency fluctuation what kind of EBITDA margin were seen in the local currency terms?

**Atul Tantia:** Local currency terms South Africa we are in EBITDA margin of almost 27% and Namibia for almost 35%.

**Moderator:** Thank you. We have a follow-on question from the line of Pratik Singhanian from Param Capital. Please go ahead.

**Pratik Singhanian:** In terms of Infrastructure Business so basically we did around 19% of EBIT margin in Infra Business for the quarter, right.

**Atul Tantia:** 19%, EBIT.

**Pratik Singhanian:** EBIT what we report in segmental reporting.

**Atul Tantia:** Yes, so depreciation you have to reduce so...

**Pratik Singhanian:** No, it is already reduced so depreciation is already reduced from this. so basically it was 19.1% versus around 17.2% last year and last quarter we did around 14.5%. So, going forward, like as we know that commodity prices have fallen and currently you are gaining benefit of

that fall, in how many quarters do we see that this should subside and you should reach a stable EBIT margin PBIT margin?

**Atul Tantia:** As you are aware, government last week has introduced this MIP on steel, so that will play. What effect that has on the commodity cycle that we will have to see. I think but generally there is a lag of almost one quarter to two quarters index prices, whether the MIP will make it quicker or not we will have to watch because this is a development and it has only happened in the last week and the prices are not stabilized post that.

**Pratik Singhania:** So basically in two quarters, you can say that this goes back to around PBIT margin, which can be around 15 odd percent in next two quarters from current 19%.

**Atul Tantia:** Yes.

**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 participating in our Q3 earnings call. The presentation is also uploaded as I said earlier on our website and also on the website of BSE. In case you have any further questions you can get in touch with Stellar IR Firm or ourselves directly, details are there in the presentation. Again, thank you for participating today.

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