



GPT Infraprojects Limited
Q1 FY 2018 Earnings Conference Call

September 18, 2017



Management: Mr. Atul Tantia
– Executive Director, GPT Infraprojects Limited
Mr. Gaurang Vasani
– Stellar IR



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Moderator: Ladies and gentlemen, good day and welcome to GPT Infraprojects Limited Q1 FY 2018 Earnings 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 call, please signal the operator by pressing "*" and "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Atul Tantia, Executive Director, GPT Infraprojects Limited. Thank you and over to you Sir!

Atul Tantia: Thank you. Good afternoon everyone and a warm welcome to our earnings conference call for the quarter ended June 2017. I have with me representative from Stellar IR Advisors, our Investor Relations firm. I hope you all have received the updated investor presentation. We have also uploaded the same on our website and at the stock exchanges for your reference.

We will do a brief summary of our operational and financial performance and thereafter we will take questions. Indian Railways is going through a paradigm shift. Breaking out from the vicious trap of poor profitability and weak capex, Indian Railways achieved a robust 36% year-on-year growth with capex to ₹32,000 crore during the April-July 2017 and 19% in FY2017. One of the major heads where the railways have substantially invested in April-July is towards the Rashtriya Rail Sanraksha Kosh, or RRSK, of approximately ₹3,000 crore for safety, which reinforces Indian Railways' focus on safety through building railway over bridges and ending unmanned railway crossing. In fact, the newly appointed Railway Minister Mr. Piyush Goyal, in his first review emphasized on train safety and the target to remove all unmanned 4,000 railway crossing during the year.

In addition to the increasing focus on safety, increasing capex on decongestion of railway network, strengthening of the existing bridges and dedicated freight corridors present a considerable opportunities for us and we are well equipped to capitalize on this opportunity.

So far in the fiscal we have received orders in excess of ₹700 crore of which our share is approximately ₹450 crore. Currently our order book is north of ₹2,000 crore, which gives us a book-to-bill ratio of almost 4x on FY 2017 revenues. Of this, EPC accounts for almost 84% of the order book and the balance is concrete sleeper orders.

Now let me come to the performance of this quarter. We have reported revenues of ₹132 crore in Q1 FY2018. Of this, infrastructure contributed almost ₹113 crore and concrete sleepers made for the balance of ₹19 crore.

Both our sleeper manufacturing facilities in Uttar Pradesh, which we have started for the Eastern Dedicated Freight Corridor (EDFC) have commenced production and we have started supplying to the client, which is GIL-SIL JV. The order value is approximately ₹280 crore and the supply is to be completed in two years. This will lead to a robust increase in our topline as the project has started contributing from second quarter onwards.



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Our EBITDA for the quarter came in at ₹18 crore with a margin of 13%, the consolidated profit after tax for Q1 FY 2018 stood at ₹5 crore with a margin of 4%. Along with margins, we are focused on return generation. Our return ratios have significantly improved over the last couple of years. If you see all ratios have significantly improved over the last couple of years.

We have set our vision to grow to a ₹1,500 crore company over the next four years based on increasing pace of ordering from railways and our higher execution capabilities.

Our focus on profitability would continue with EBITDA hurdle rate of 13% to 14% and focus on better working capital cycle, which would lead to disproportionate growth in the profit after tax. This is all from my side. I shall now request the moderator to open the floor for any questions. Thanks.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin with the question and answer session. We will take the first question from the line of Mihir Desai from Desai Investments. Please go ahead.

Mihir Desai: I want guidance upon the order book by year closing?

Atul Tantia: By year closing we should have an order book of almost ₹2,500 crore.

Mihir Desai: Okay ₹2,500 crore and Sir, any L1 orders?

Atul Tantia: We generally do not report L1 orders. We report orders only upon receipt.

Mihir Desai: Can you give some ballpark numbers of L1, just for an idea?

Atul Tantia: We do not report. We try to only report once the orders are received.

Mihir Desai: Okay Sir. Just wanted an idea that with the change in ministry, what is your outlook for the industry, if you can throw some light from your end?

Atul Tantia: We have always said over the last eight quarters or ten quarters that the decision making has been much better compared to what it was in the past, the decisions are now being taken at a much more junior levels and so general managers who were empowered to take decisions up to ₹100 crore are now taking decision for up to ₹500 crore. Also contracts getting announced are generally tendered only after land is available so those kinds of hurdles are now no longer there. The contracts awarded for elimination of unmanned level crossing through construction of ROBs and RUBs should happen between this year and the next, which is our area of expertise and we expect to benefit from this.

Mihir Desai: Sir just wanted to understand what are the steps we are taking towards reduction in our working capital cycle?

- Atul Tantia:** The working capital cycle has significantly come down. If you see our working capital cycle in FY 2015 was almost 237 days, which has come down to almost 121 to 125 days for today and I think this is significantly linked to better payments from the customers and also the evaluation from their part where the company will need to get paid faster in order to get the work executed. From our part, we have SAP implemented across all sites. This helps in better margin of the contracts through ensuring that our inventory levels, our debtors, our unbilled revenue are monitored and controlled well. Those are the ways wherein we have been able to control the working capital cycle.
- Mihir Desai:** That is all from my end. Thank you Sir.
- Moderator:** Thank you. We will take next question from the line of Rohit Natarajan from IDBI Capital. Please go ahead.
- Rohit Natarajan:** Thank you for allowing me to ask questions. Just had a few project related queries. One is that this Mathura-Jhansi third line what was the revenue booked during this particular quarter?
- Atul Tantia:** There was no revenue booked in this quarter. The project is still in the initial stages. This contract is for about ₹217 crore and is yet to begin booking revenue.
- Rohit Natarajan:** What about the West Bengal ROB and approach work which has been awarded to you recently?
- Atul Tantia:** In this again the contract has just been awarded. It is still under the designing stage.
- Rohit Natarajan:** Could you just throw some light on the Yamuna Bridge and Delhi and Sankrail flyover?
- Atul Tantia:** The Yamuna Bridge in Delhi is fully operational and it is under construction. We expect the contract to be executed by December of next year. For Sankrail, we had done revenue of close to ₹53 crore last year. This quarter we have also done good revenues and we expect that also to get completed by next year.
- Rohit Natarajan:** What about the GMR DFC order in the concrete sleeper segment? Could you just throw some light on this as to how much we have booked in terms of revenues?
- Atul Tantia:** Till date we have booked close to ₹12 crore in revenue. This year we expect to book close to ₹80 to ₹85 crore.
- Rohit Natarajan:** Sir that is it from my side. If there are any other questions, I will get in the question queue. Thanks.
- Moderator:** Thank you. The next question is from the line of Yash Agarwal from Crest Capital. Please go ahead.

- Yash Agarwal:** I just wanted to know regarding the major projects you will be executing this year and what is the revenue growth outlook. In terms of absolute number what revenue are you targeting for this year?
- Atul Tantia:** This year we have a target revenue of almost ₹700 crore. It should be almost a growth of 36% to 37% compared to what was we reported last year. The major projects we are looking to execute this year are the four or five larger contracts showing in the presentation.
- Yash Agarwal:** What slide is this that you are talking about?
- Atul Tantia:** Sorry, your voice is falling off.
- Yash Agarwal:** The slide number in the presentation if you could help me with, it would be better.
- Atul Tantia:** Slide Number 12. So if you are on the slide, then those are the five key contracts that are under operation in this financial year and we expect almost 700 crore in this financial year.
- Yash Agarwal:** Sir, all of these have started executing, is it all of these projects?
- Atul Tantia:** We have just started around the design stage. We will start executing it in the next one or two months. Like I said earlier the ROB projects are in the design stage, so we will start implementing in the next couple of months. Mathura Jhansi has already started.
- Yash Agarwal:** What would be the mix between infra and sleeper segment out of this ₹700 crore?
- Atul Tantia:** Out of the ₹700 crore?
- Yash Agarwal:** That you are targeting on, only the mix?
- Atul Tantia:** So it would be approximately ₹525 crore and ₹175 crore, close to that.
- Yash Agarwal:** ₹525 crore and ₹175 crore, and Sir any international orders that are on hand or something?
- Atul Tantia:** We have our concrete sleeper international operation in South Africa. In the first quarter, we got almost ₹10 crore from that facility. We also have a facility in Namibia, which manufactures concrete sleepers. As per Ind-AS that revenue no longer comes as part of our revenue reporting. So revenue is not recognized for the manufacturing facility. South Africa did almost ₹10 crore this last quarter, and we expect almost ₹40 crore to ₹45 crore from the facility this year.
- Yash Agarwal:** That is included in the current revenue and the outlook that is there?
- Atul Tantia:** Correct and that is included in the ₹132 crore for this quarter.
- Yash Agarwal:** Sir, what is our debt position, the overall debt, and the short-term versus long-term debt?



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- Atul Tantia:** Debt is close to ₹210 crore, mostly comprising working capital debt. There is hardly any long-term debt.
- Yash Agarwal:** Okay and so this will go down or can we expect it to be stable hereafter?
- Atul Tantia:** It would be stable around this level.
- Yash Agarwal:** Thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Just a couple of questions; one, has there been any annual impact of increase in steel prices for any of our projects and whether we have a full pass through mechanism for such increases in all our contracts at this moment? That is the first question.
- Atul Tantia:** All our contracts are having a price escalation formula. In most of them it is linked to prices of Steel Authority of India and so we can say it is a pass through and there has been negligible impact of steel prices while giving out a contract.
- Ashish Shah:** Then there is no delay or anything of that sort in terms of client accepting there, so as you are saying whether that sort of a thing can lead to any increase in receivables or increase in working capital, we do not envisage that sort of a situation?
- Atul Tantia:** It might lead to a slight increase in inventory levels because obviously the inventory will now be of higher value compared to what it was earlier and so that might enter into the working capital but obviously with a higher revenue base the number of days will come down.
- Ashish Shah:** Secondly on the GST side again, have we received any or we would have done a couple of months of billing now, so is there any adverse impact even though at a later point the clients may accept the increase because of change in law but in the interim, do we expect any increase either by way of any reduction in margins or by way of an increase in working capital?
- Atul Tantia:** Again with respect to GST we have already filed our claims with all the contracts that we are under operational right now. In most of the contracts the clients have come back and said that they are willing to look at it as average of change of the law and change in constitution. In the interim they are paying us on the ad hoc basis with respect to the old rates so they are paying us may be 3% to 4% lesser than what we are supposed to get finally, but I think that would get resolved sooner rather than later.
- Ashish Shah:** Just for my reference the improvement under the 12% rate?



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- Atul Tantia:** Most of our contracts are under 12% rate. There are some contracts for the metro which we do which are 18%, one contract that we do it for DVC is at 18%, within that most contracts are 12%. Metro is not under the lower rate of 12%.
- Ashish Shah:** Sorry which other contracts you said is in the 18% apart from metro?
- Atul Tantia:** The contracts that we do for DVC.
- Ashish Shah:** That is correct.
- Atul Tantia:** So we are under 18%.
- Ashish Shah:** Most of the railway works come under 12%?
- Atul Tantia:** Yes. Railway works come under 12%, most of them that the kind of work that we do.
- Ashish Shah:** What would have been the earlier effective rate for us? Would it be like what 10% or so, 9% or 10%?
- Atul Tantia:** If we look at it on an overall basis, yes, but it depends on the current position of the contracts whether the contracts needs material or most of the material has been bought and mostly the major portion is there. So it will depend on the state of the contract. Mostly major portion of that then the difference in tax would be as high as 70%. Otherwise it would be 3% to 4%.
- Ashish Shah:** So essentially this is in 3% to 4% you are saying that this is what the clients as of now are not really paying but they would be processed under change in law?
- Atul Tantia:** That is related to our transaction and we have sent it to the higher authorities for looking at it favorably.
- Ashish Shah:** While you said that there may be operations that are no longer consolidated but it would help if you can just give me some brief details like the revenue or EBITDA or may be the PAT?
- Atul Tantia:** Our revenue from Namibia was close to ₹4 crore for this quarter and EBITDA is at 35%.
- Ashish Shah:** Would it be PAT positive?
- Atul Tantia:** Yes, it is obviously PAT positive. We have received two dividends already this year so we have disbursed almost ₹1.80 crore as dividends for this financial year already to us. So for the company as a whole they have disbursed close to ₹5 crore as dividend.
- Ashish Shah:** This is from both the entities put together.
- Atul Tantia:** Only Namibia.

- Ashish Shah:** Only Namibia is ₹1.80 crore.
- Atul Tantia:** Yes, the company as a whole has distributed ₹5 crore as dividend and to us it is ₹1.80 crore.
- Ashish Shah:** Thank you very much.
- Moderator:** Thank you. We will take the question from the line of Mihir Desai from Desai Investments. Please go ahead.
- Mihir Desai:** Just wanted to check during the year, due to the lots of the accidents happening in the railways can we see a good opportunity for our company going ahead in this?
- Atul Tantia:** The opportunity is not only with respect to the accidents per se. We do mostly bridges and ROBs. That was already a focus of the government and we have already got three contracts from the ROBs and we are expecting couple of more in this financial year itself. Obviously as I said in my opening remarks, this presents a huge opportunity for us and we are growing the business going forward.
- Mihir Desai:** Sir, regarding our EBITDA margin, the trend, which I had noticed is you have never gone below 13%. So currently, if we are focusing on the regions I think, which regions generally we do the business in eastern region?
- Atul Tantia:** We are right now operating in 11 states. We are in West Bengal, Jharkhand, UP, Rajasthan, Delhi, Maharashtra, Manipur, Assam, Kerala, Madhya Pradesh.
- Mihir Desai:** Can you list us some major competition who can be in the listed space which we have?
- Atul Tantia:** It depends on the nature of the contracts. In a couple of contracts we have seen competition from the likes of L&T, Simplex. So it depends on contract-to-contract though it is competitive per se.
- Mihir Desai:** Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Deepen Shah an individual investor. Please go ahead.
- Deepen Shah:** Good afternoon. My question is regarding the competition as you answered, but I just wanted to understand in terms of the metro work which metro are we currently working with and what exactly is the scope of work there?
- Atul Tantia:** So we are currently working for Kolkata Metro. We are building a viaduct for them, which is inside a flyover. The cost is close to ₹40 crore.
- Deepen Shah:** Okay, and just one question relating to shares. There was a big shareholder, which has recently cashed out, any particular reason if you are aware of that?

- Atul Tantia:** I think they have seen an opportunity to encash out. We have no knowledge of it. It is in the public domain. The promoter shareholding has not moved at all.
- Deepen Shah:** Yes that I completely agree. No issues. Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Mohit Jain from CARE Portfolio Managers. Please go ahead.
- Mohit Jain:** You have ₹35 crore stuck with PWD Agartala, so when are you expecting that ₹35 crore from them?
- Atul Tantia:** ₹35 crore is not only from PWD Agartala. It is almost ₹30 crore PWD Agartala so they are paying very slowly that is why the orders have qualified, because the payments are now stuck up for quite sometime now and they are all payments which are accepted and as per the contracts so the PWD Agartala they have found issues because of not good relationship with the central government. We are constantly following up with them and hope we get ₹7 to ₹8 crore this financial year.
- Mohit Jain:** When I met you in August, you said you are receiving ₹2 crore every year so have you received anything yet?
- Atul Tantia:** This year we might have received almost ₹50 lakh, like I said, we have been told that we will get almost ₹7 to ₹8 crore further this year.
- Mohit Jain:** Okay and what about that ₹17-odd crore which was with the NHAI?
- Atul Tantia:** The arbitration proceedings are complete. We expect the arbitration award to happen any time now and we are expecting a favorable reward.
- Mohit Jain:** So would it be like by the year-end would it be available to you or how is it?
- Atul Tantia:** It should be available by the year-end.
- Mohit Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Thanks again. Could you talk a bit on the project pipeline or the bid pipeline that we have at this moment especially some of the larger contracts that you may have already bid or been planning to bid in the next few months?
- Atul Tantia:** We have bid for a couple of large ROB contracts. Like I said we do not report L1 status, but we have bid for a couple of large ROB contracts wherein we expect favorable rewards. So our bids



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which are submitted and not yet finalised are almost ₹400-odd crore. In the near future if you have seen, recently the Bengal government has announced a couple of large bridges in the city as well as in Bengal of almost ₹12,000-odd crore which we would obviously target for a good portion of it and then like I said earlier also they have announced lot of the metro decongestion programs during construction of ROBs and track removals. So that would again be a good opportunity for us going forward. Obviously with DFCC would also come into play.

- Ashish Shah:** What is the inflow that we target for this year, 400 crore is what we have received till date?
- Atul Tantia:** ₹400 crore is already in and we expect something more in the next one month, which we have already reported ₹400-odd crore is not yet decided and so the total inflow that we target for this year is almost ₹1,200 or ₹1,300 crore.
- Ashish Shah:** Thank you, Atul. Thank you very much.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Atul Tantia for his closing comments.
- Atul Tantia:** Thank you everyone for your participation in today's earnings call for June 2017. We have uploaded the results and presentation on our website and the website of the stock exchanges. In case if you have any further queries, you may get in touch with us or with Stellar, our IR firm. Thank you again. Have a good day.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of GPT Infraprojects that concludes this conference, thank you for joining us. You may now disconnect your lines. Thank you.