



“GPT Infraprojects Limited Q1 FY 2020 Earnings Conference Call”

August 16, 2019



**MANAGEMENT: MR. ATUL TANTIA – EXECUTIVE DIRECTOR AND
CHIEF FINANCIAL OFFICER, GPT INFRAPROJECTS
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the GPT Infraprojects Limited Q1 FY 2020 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, please signal an operator by pressing “*” and then “0” on your touchtone phone.

I now hand the conference over to Mr. Atul Tantia -- Executive Director and CFO of GPT Infraprojects. Thank you and over to you, Sir.

Atul Tantia: Good afternoon, everyone. And a warm welcome to our earnings call for the quarter ended 30th June, 2019. I have with me on the call Gaurang and Pooja from Stellar IR Advisors, our Investor Relations advisors.

I hope you all have received the updated Investor Presentation and the Quarterly Results and have gone through the same. We have also uploaded the same on our website and the website of the stock exchanges for your ready reference.

We will begin the call with a brief summary of the financial performance of the company during the quarter under review that is Q1 FY 2020 and followed up with an update on what is happening in the railways sector. Lastly, we will move to the question-and-answer session.

So, to begin with, for the first quarter ended FY 2020, we have reported a consolidated revenue from operations of Rs. 141.6 crores which is marginally lower than the Rs. 146.2 crores put it in the same period of last year. Of this, the infrastructure segment contributed about 80% and balanced 20% came in from the concrete sleeper segment.

So, during the full year FY 2019 the consolidated revenue from operations was Rs. 578 crores, out of which the infrastructure segment contributed about 76% and the balanced 24% came in from the sleeper segment.

Despite a challenging business environment, we have maintained the pace of execution of the infrastructure orders when compared to the same period of last year. The infrastructure segments on unexecuted order book as on June FY 2020. The infrastructure segment unexecuted order as on end of FY 20 June remains healthy at almost Rs. 1,500 crores which is over 3x of FY 2019 revenue segment. And we continue to expect improvement in the performance in the current fiscal.

In terms of order intake although, there were not any significant additions during the year, till date, we stand L1 and almost Rs. 200 crores worth of new orders.

Further, the construction on most of our existing project is going on well. In August 2018, we had bagged the single largest contract value of Rs. 362 crores in the history of the company, these are all from RVNL, Varanasi for rail cum road bridge works at Ghazipur. Completion of

this order which is planned over the next two and a half years will enable us for single orders of more than Rs. 1,000 crores. Work on this project is going on smoothly with a quarterly run rate of approximately Rs. 24 crores to Rs. 25 crores.

Our concrete sleeper segment business witnessed some contraction in the quarter gone by. The segments revenue came in lower by 13% year-on-year but higher by 3% quarter-on-quarter in Q1 FY 2022 due to slow down of business in Africa, on account of election in the countries. However, we do expect execution to again gain pace in the coming quarters both in India and Africa.

Now, coming to the profitability, despite lower revenues for Q1 FY 2020 grew by 2.2% year-on-year and 33.4% quarter-on-quarter to Rs. 22.3 crores. Consequently, EBITDA margin also improved by almost 140 basis points to 15.7% in Q1 FY 2020 as against 14.3% in Q1 FY 2019 and 13.1% in full year FY 2019.

We attribute the stability of EBITDA margins to the company's consistent focus on project management and cost efficiency. However, executed finance costs impacted net margin, which stood at 2.6% in Q1 FY 2020 as against 2.9% in the corresponding quarter of last year.

The consolidated profit after tax and share of minorities for Q1 FY 2020 came in at Rs. 4.1 crores compared to Rs. 5.3 crores in Q1 FY 2019 and Rs. 11.8 crores for the full year FY 2019.

In terms of our order book, we are executing order book at hand as on end of Q1 FY 2020 stood at Rs. 1700 crores including the L1 orders, which gives us a book-to-bill ratio for almost three times.

Industry scenario leading to project ordering and financial liquidity. The traction in project ordering activity has mellow down a bit in the second half of the last fiscal on the back of upcoming elections and continues to be low in the Q1 of FY 2022.

Further, given the current turmoil in the banking sector, bank lending has become sparser and obtaining bank guarantees which is an integral part of our business has become a challenging process. These factors are further dampening the overall project bidding activity. However, with the recently emerged political stability, we believe that the government thrust on improving connectivity, safety and upgrading of railway infrastructure would continue and the target of spending Rs. 1 lakh crores on infrastructure contracts over the next five years would be a boon to the sector.

Further, as we have been highlighting in the past, the government has undertaken several structural reforms for the railway sector and we believe that this would augur well for pick-up in ordering as well as execution activities in the near future.

As far as our company is concerned, we have always believed in bidding disciplined in challenging environment notwithstanding, our EBITDA margins continues to remain stable and well above our hurdle rate of 13% to 14%.

Having strong project execution capabilities, healthy financial base and enviable growth prospects across our areas of operation, GPT Infraprojects is well-positioned to continue on its growth trajectory. Areas like the DFCC bridge construction, Northeast connectivity and other EPC works present a great opportunity for the company.

This is all from my side. Now, I request the moderator to open the call for any question-and-answers. Thank you.

Moderator: Sure, thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Mohit Bansal from Ajinkya MPL. Please go ahead.

Mohit Bansal: My first question is regarding the NHAI arbitration. Can you please update on that?

Atul Tantia: Yes, the NHAI arbitration, the date of the hearing in the Delhi High Court, was scheduled around 12th of July of this year. However, the lawyers for NHAI were not present in the court on that date. And the judge has now convened the date of 2nd September for the next year of hearing and hopefully, our lawyers have been told that this would be the final date of hearing.

Mohit Bansal: But what is your sense in terms of what will happen on the 2nd because it is a Rs. 60 crores award and what is the sense coming out of all this?

Atul Tantia: So, the entire arguments have not been fully heard, because in multiple cases, the NHAI lawyers have not attended the hearing. So, as far as our lawyers are concerned, they are confident of having a verdict in our favor because they feel that NHAI does not have much of ground for appeal because the arbitration tribunal was quite a senior tribunal consisted of one retired Supreme Court judge and two retired Delhi High Court judges. So, the court should rule in our favor.

Mohit Bansal: The second question is, Atul, you have already mentioned about the banks not giving limits. So, how do you see GPT bidding for projects as well as executing project?

Atul Tantia: In terms of the existing order book, we do not have any issues with respect to bank guarantees. All our existing contracts, the bank guarantees have been sufficiently given to the clients and there is no issue. So, in terms of execution of contracts, there is no issues with respect to bank limits and bank guarantees especially. In terms of bidding for new contracts, we have recently been sanctioned some limits by the consortium that would enable us to bid for some new contracts. And then the review based on the balance sheet for this year is also under progress. We are quite hopeful that this would enable some more limits to get sanctioned by the consortium.

- Mohit Bansal:** Will you be able to give a sense on the bidding pipeline?
- Atul Tantia:** We are bidding for almost Rs. 400 crores of new orders currently?
- Mohit Bansal:** Okay. And our total order book is about Rs. 1,900 crores, which includes that L1 of Rs. 200 crores?
- Atul Tantia:** Yes. We do not include L1 in the order book, so our order is about Rs. 1,700 crores.
- Mohit Bansal:** Okay, so Rs. 1,700 crores plus we have mentioned L1 of Rs. 200 crores?
- Atul Tantia:** Correct.
- Mohit Bansal:** And what is the sense on the execution for this year in terms of top-line as well as EBITDA?
- Atul Tantia:** EBITDA should be within a hurdle rate of 13% to 14% and the top-line we should have a growth of almost 20% compared to last year.
- Mohit Bansal:** My question is on the dividend policy. Have you been maintaining a healthy dividend payout ratio, just wanted to understand what will be our you know future outlook on that?
- Atul Tantia:** Our dividend policy which is a public document says that up to 25% we will pay as dividend to the shareholders of the profits for the year. So, we would continue to maintain that policy.
- Moderator:** Thank you. The next question is from the line of Nimesh Shah from Shah Investments. Please go ahead.
- Nimesh Shah:** Sir, which all segments are currently concentrating on other than our bridge construction and concrete sleepers? Are we planning to expand or diversify in any of the segments?
- Atul Tantia:** So, we are railway focused EPC company. We do bridge construction for railways, we do track works for railways, we do industrial infrastructure for Railways and of course, the 25% of the business also comes from manufacturer of concrete sleeper may be an Africa. We feel that railway gives a large enough opportunity to expand the business of the company. And we do 100% government contracts, we do not do private contracts. So, that would be our I would say the client base in some sense.
- Nimesh Shah:** What is the benefit are we getting into the Eastern side of dedicated business corridor?
- Atul Tantia:** We are executing contracts for the Eastern DFCC in terms of our concrete sleeper business as well as the bridge works. So, we have 270 crores contracts for the manufacturing railway concrete sleepers, we have set-up two factories for that one in Mirzapur, in U. P. and one near Fatehpur, in U. P.

- Moderator:** Thank you. The next question is from the line of Mr. Alok Nair, you may go ahead with your question.
- Alok Nair:** Yes, this is Alok here. So, my question was regarding this Eastern DFC, how much of the Rs. 270 crores order we have booked the revenues for, sir?
- Atul Tantia:** So, we have booked almost Rs. 80 crores of revenue from that.
- Alok Nair:** Now, can you just share with me the receivable position as on 30th June?
- Atul Tantia:** The total receivable you are talking about?
- Alok Nair:** Yes, total receivables.
- Atul Tantia:** So, debtors would be about Rs. 74 crores, this includes retention money which is a large part of the debtors. Retention monies are almost Rs. 25 crores so Rs. 50 crores are debtors. As on 30th June most of that is received by the time this balance sheet has been signed.
- Alok Nair:** Okay. So, my question was this Rs. 37 crores that auditors are talking about is that included in these receivables?
- Atul Tantia:** Yes, obviously. Part of that is also included in unbilled revenue not only debtors. And this Rs. 37 crores were almost Rs. 49.5 crores on March. So, almost Rs. 12 crores - Rs. 12.5 crores have come down compared to March.
- Alok Nair:** Okay. That is because we have received the payment or we have written it off?
- Atul Tantia:** We have realized the money partly and partly written off.
- Alok Nair:** Okay. So, what would be unbilled revenue as on date now? Can you share that?
- Atul Tantia:** Unbilled revenue would be about 175 crores.
- Moderator:** Thank you. As there are no further questions, I would like to hand the conference back to the management team for closing comments.
- Atul Tantia:** Thank you everyone for your participation in our Q1 FY 2020 Earnings Call. As I said earlier, we have updated Investor Presentation on our website. In case of any further queries, you may get in touch with Stellar Investor Relations or feel free to get in touch with us directly. Thank you and have a good day.
- Moderator:** Thank you very much. On behalf of GPT Infraprojects, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.