"GPT Infraprojects Limited
Q2 & H1FY21 Earnings Conference Call"

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MANAGEMENT: MR. ATUL TANTIA - EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER - GPT INFRAPROJECTS LIMITED

Moderator: Good morning ladies and gentlemen, welcome to GPT Infraprojects Limited Q2/H1FY21 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 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 Infraprojects Limited earnings conference call for the second quarter and half year ended September 30, 2020. I have with me on call Stellar IR Advisors, our investment relations advisor. I hope you all have received the updated investor presentation that we have also updated in our website and the website of the stock exchanges for your ready reference.

We hope that everyone on the call continues to remain safe and healthy. Post our last conference call where we discussed how the company was coping with the COVID-19 related disruptions in the business operations by implementing constructive measures to deal with the situation, we are happy to report today that not only have we ensured continuity of operations, but in Q2FY21, we were also able to more than match the performance with that of the same quarter last year.

Let me now share with you, key highlights of the company's operations and financial performance during this challenging times and update on how things currently stand. On the execution front, the operations which were impacted significantly in Q1FY21 have been improving month on month thereafter and currently we have achieved normalcy across all our infrastructure contracts with monthly efficient rate back to pre-COVID levels.

On the concrete sleeper side to all our manufacturing facilities in India and Africa are running at capacity utilizations which currently stand at ~75% level. In fact, our consolidated revenues for the past quarter i.e. Q2FY21 posted a growth of ~10% y-o-y and ~75% q-o-q to Rs.146 Crores. In terms of segmental breakup, the portion of concrete sleepers increased from 18% - 20% to ~26% in Q2FY21 on account of high delivery, especially in the DFC contracts. On the ordering activity, the COVID-19 disruption notwithstanding the company has successfully bagged four new orders worth approximately Rs.443 Crores in YTD FY21 in addition to the Rs.115 Crores order awarded by the NHIDC for the widening of a section of Nation highway 102B in the state of Manipur on EPC mode on April 20. We have bagged a contiguous stretch of the same project for an additional Rs.103 Crores in July 20. Another order worth Rs.197 Crores was awarded by RVNL in August 20 for construction of metro railway wide out in connection with the metro railway project in Kolkata. We have two bagged orders recently for supply of concert sleepers. Incrementally, we stand L1 in orders worth approximately Rs 400 Crores which further strengthens our order pipeline for the current fiscal as against an abysmal order inflow in FY20. These orders are expected to be received in November 20 itself. With this, our order book stands strong at Rs.1,639 Crores forming ~ 2.75x FY20 revenue. This excludes the L1 orders.

Some of our key projects under execution include the Ghazipur order worth Rs.378 Crores by RVNL which is back to running smoothly with a quarterly run rate of ~ 35 Crores and its closure expected over the next 20 months. This would enable us to bid for single orders worth 1,000 Crores underscoring our execution ability in the infrastructure segment. In the concrete sleeper segment, the GMR order worth Rs.246 Crores continues to progress well and the cash flow from the same are also easing the working capital requirements.

On our margins and profitability, the company's ongoing cost optimization drive with the improved order execution and better liquidity have borne fruits and led to an increase in the profit margins lately. While not all of the margin expansion may be sustainable, we believe that a cost saving of ~Rs 5 Crores – Rs 7 Crores per annum will actually be recurring in nature over the long term. Additionally, our continuing ethos of bidding discipline where we ensure that our hurdle rate of 13% - 14% is met while bidding for new contracts continue to be the primary factor for stability and profitability.

In Q2FY21, our EBITDA stood at Rs.25 Crores, a growth of 17.5% y-o-y and 40% q-o- q. Our EBITDA margin came in at 17.03% versus an average of 14% - 15%. In H1FY21, while absolute EBITDA declined by 2% due to COVID-19 impact, the EBITDA margin grew by 275 basis points y-o- y to 18.55% as against 15.8% in H1FY20.

Profit after tax in Q2FY21 grew by robust 68% y -o-y to Rs 5.5 Crores as against Rs 3.2 Crores in Q2FY20. Profit after tax in H1FY21 grew by 5.6% year on year to Rs.7.32 Crores as against Rs 6.9 Crores in H1FY20. In terms of leverage of our liquidity position as mentioned in the previous two calls as well, we have been optimizing our working capital in addition to repairing some of our high cost debts. During the past fiscal and H1FY21, we managed an overall reduction of ~Rs 30 Crores of long terms and short-term debt. This coupled with improved profitability has helped us to improve our cash flow generation. We also expect release of some old outstanding from various clients which was Rs.49 Crores in March 19 reduced to Rs.25 Crores in March 20. The same is reduced to ~ Rs 22.8 Crores as on September 20 and is expected to reduce by a further Rs 3 Crores - Rs 4 Crores this year. In addition, outstanding cash refunds are also being processed by various partners and the same will ease out the cash flow for the company.

Further to strengthen the company's liquidity position during these challenging times, we are actively engaged with our working capital bankers to avail the special liquidity scheme announced by the Government of India. We have also applied for release of proportion of bank guarantees from various clients in partly completed projects as allowed by the Ministry of Finance and already ~ Rs 60 Crores of bank guarantees have been released by various clients. Overall, we do not foresee any challenges in meeting our debt obligations or liquidity for the business.

Going forward with our strong project execution capabilities, a healthy financial base and growth prospects across our areas of operations, we believe that GPT Infraprojects Limited is well positioned to continue its growth trajectory. That is all from my side. I will now request the moderator to open the call for any question and answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.

Rohit Natarajan: Sir I just had a small question on the numbers that you talked about in the L1 position, you are already at Rs 400 Crores of orders and help me reconcile with the numbers that you talked about in the order inflow part, you already have Rs 4 billion and Rs 1.1 billion in the highway order that means if I understand it correctly, Rs 5 billion is already there and Rs 4 billion is the additional L1 that is there in the pipeline?

Atul Tantia: The one that is already there is ~ Rs 4.5 billion and we are L1 in Rs 4 billion.

Rohit Natarajan: Rs 4 billion this L1 that we are talking about, what orders are they, would you want to give some qualitative or quantitative remarks on it?

Atul Tantia: They are orders for bridges, large bridge contracts, typically two orders. One is about Rs 160 Crores and another is about Rs 245 Crores – Rs 250 Crores.

Rohit Natarajan: Both are railway over bridge and bridge related orders?

Atul Tantia: Correct.

Rohit Natarajan: No concrete sleeper orders that we have bagged in this year so far, right, if my understanding is correct?

Atul Tantia: For Namibian entity we have bagged like I said in my opening remarks, but that being an associate does not get captured in the order book. For our South African entity, the tender was supposed to happen two months ago, but due to COVID-19 is delayed, but the tender should happen in the next one month and for our Indian factories we have orders for the next two years.

Rohit Natarajan: If I just do a quick calculation, we have close to Rs 1,300 Crores of numbers in your infrastructure order backlog and we have Rs 2 billion in sleeper segment, so sleeper segment will do Rs 100 Crores per year execution and the Rs 1,300 Crores will do roughly Rs 400 Crores - Rs 500 Crores kind of execution is that the fair understanding?

Atul Tantia: In a normalized infrastructure segment we will do about Rs 500 Crores to Rs 525 Crores and sleeper we will do about Rs 125 Crores to Rs 150 Crores

Rohit Natarajan: Sir one more thing that you talked about what is the special liquidity scheme and then you have got even some release of bank guarantees of close to Rs 50 Crores, so can you give us some picture on what exactly the non-fund base limits of the company look like and what is the utilization of those?

Atul Tantia: Non-fund consortium is Rs 343 Crores and utilization is about Rs 200 Crores.

Rohit Natarajan: That means we have a spare of Rs 1.4 billion, which can actually be help you win maybe another Rs 4.2 billion kind of order inflow because roughly you require 20% or maybe even more than that because you require anyway 20% of the non-fund base limits for every order that you win right?

Atul Tantia: 15% approximately.

Rohit Natarajan: Finally, on the arbitration part one you had Jogbani Highway that amount Rs 30 Crores what exactly the situation is there?

Atul Tantia: Delhi High Court we are supposed to be hearing next week so if the hearing happens then there will be some movement, if again the hearing is deferred due to COVID or something it is again deferred, so it is just to subjudice so we cannot comment on it further.

Rohit Natarajan: That is it from my side. Should there be any questions I will get back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Anurag Patel from Roha Asset Managers. Please go ahead.

Anurag Patel: Sir do you see this revenue traction continuing in the second half or any kind of guidance you would like to give for this?

Atul Tantia: In the second half we will have better revenue compared to the first half at all historically happened, so compared to last year we expect 5% to 10% growth this year.

Anurag Patel: In terms of receivables are you facing any pressure, how is the situation there?

Atul Tantia: In receivables there is no pressure, if you see our balance sheet in fact receivables have come down by almost Rs 42 Crores – Rs 40 Crores this year, compared to March, September receivables have come down to ~ Rs 40 Crores.

Anurag Patel: In terms of debt levels have you set any target debt levels for the next couple of years, how much you would like to bring it down?

Atul Tantia: Like I said in my opening remarks over the last 18 months reduced by almost Rs 30 Crores so we are reducing by almost Rs 10 Crores to Rs 15 Crores for the year.

Anurag Patel: That's it from my side Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Kunal Jagda, an Individual Investor. Please go ahead.

Kunal Jagda: I wanted to know about the labour availability status, are we facing the issue still or has it come to normalcy?

Atul Tantia: Back to normal that is why our revenues also back to normal, so there is no longer an issue.

Kunal Jagda: By this year end everything will be completely normal right?

Atul Tantia: It is already back to normal.

Kunal Jagda: That's it from my side.

Moderator: Thank you. The next question is from the line of Shruti Sharma an Individual Investor. Please go ahead.

Shruti Sharma: I just wanted to understand that in this year first half we have similar EBITDA, which was went up by around 275 basis points so what is the reason for this and is it a sustainable EBITDA?

Atul Tantia: Like I said in my opening remarks the increase in the EBITDA is mostly on account of some cost saving measures, which are mostly strategic in nature, we expect that Rs 5 Crores to Rs 7 Crores would remain to be sustainable going forward in terms of cost savings. In terms of sustainability 18% EBITDA I will see this is not something that is sustainable in the long term or even in the second half I would say. We are always indicating that our EBITDA will be 14% - 15% and I think it would be deemed to cost savings we would be closer to 15% rather than 14%.

Shruti Sharma: Secondly, I wanted to understand what is the EBITDA contribution from Africa business and India business if you could give us this bit?

Atul Tantia: That is just different from the standalone and the consolidated EBITDA so our standalone EBITDA for the H1FY21 was Rs 36.5 Crores and the consolidated EBITDA was Rs 42.64 Crores, so it is ~ Rs 6 Crores from Africa and balance Rs 36 Crores from India.

Shruti Sharma: On the debt front I just wanted to understand like what is the average cost of debt?

Atul Tantia: Ranges from 9.5% to 11.5%.

Shruti Sharma: Do we expect it to come down further in near term?

Atul Tantia: We are always in negotiations with our working capital bankers to optimize the cost of debt.

Shruti Sharma: Token advancement like if they can see the reduction in the cost of debt?

Atul Tantia: Second half we should see a reduction in cost of debt. We should see some delta in the cost of debt reduction.

Shruti Sharma: Just one thing on the ordering part I just wanted to understand like seeing the government's impetus on the infrastructure sector and when they are talking about lot of metro projects coming in different cities, so are we expecting more orders from this segment and how big this segment would become for us going forward?

Atul Tantia: We are focusing on metros as well as bridge contracts, so railways is continuous focus for us like I said using the two L1 orders are from the bridge contracts railway would be 70% - 75% of order book.

Shruti Sharma: That is all from my side. If I have more questions, I will come in the question queue.

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

Atul Tantia: Thank you everyone for your participation in our Q2FY21 earnings conference call. In case you have any further queries, you may get in touch with our IR team, Stellar Investor

Relations or feel free to get in touch with us directly. I wish that all of you take care and stay safe. Have a good day.

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