Renewed focus

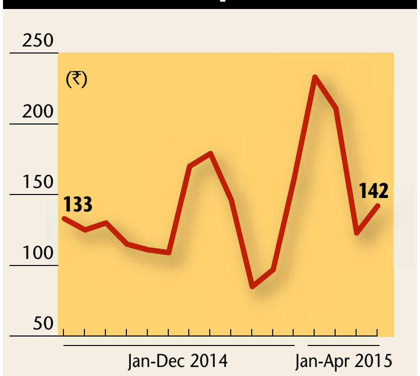
GPTIL will now concentrate on low-cost housing, riverfront development, urban and port infra

G.P.T. are the initials of Govardhan Prasad Tantia, the father of D.P. Tantia, chairman, and S.G. Tantia, MD, GPT Infraprojects Ltd. When they decided to enter the business in 1980, they chose this name in memory of their father, who had passed away in 1969. Today, the ₹500 crore GPTIL is run by the second and third generation of the Kolkatta-based Tantia family, mainly engaged in construction of steel girder bridges for railways. GPTIL also executes infrastructure projects – roads and highways, besides making concrete sleepers. The company has its manufacturing facilities for railway concrete sleepers in West Bengal and also in South Africa and Mozambique. "The big investments in the rail sector, scheduled over the last five years, have been delayed and are likely to come only over the next few years, as the budgetary allocations and statements emanating from central policy makers suggest," explains D.P. Tantia, who is gearing up to address this sector.

GPTIL started to make concrete sleepers for the Indian railways in 1982. It made its first international foray in 1999, with an order to supply dual gauge sleepers to Bangladesh railways, followed by a similar order for Myanmar in 2002. "However, in 2006, we got a big break, when GPTIL won an order for supply of 721,000 concrete sleepers for a World Bank project in Mozambique and an order for rehabilitation of a railway bridge in Dona Ana over the river Zambezi," recalls D.P. Tantia. After these orders, in the following years, the company also got repeat orders from Myanmar Railways and South African Rail. And, in 2009, it received orders from Sri Lanka Railways too.

Subsequently, in 2010, it secured orders worth over ₹400 crore from the government of the Republic of Namibia to supply railway concrete sleepers. For this, the Indian company had to set up a concrete sleeper plant in that country in 50:50 partnership with TansNamib, the rail road service provider in Namibia "We forged a partnership with TransNamib Holdings for the establishment of a sleeper plant in Namibia under a PPP model,"

Share price



says D.P. Tantia. GPTIL has also recently supplied 750,000 sleepers in Mozambique for RICON, a joint venture of IRCON International and RITES Ltd, while also setting up a concrete sleeper plant at Ladysmith, South Africa, to supply sleepers to Transnet Freight Rail. Currently, GPTIL has three manufacturing units – at Panagarh, India (to make 480,000 units per annum), Ladysmith, South Africa (450,000 units) and Tsumeb, Namibia (170,000 units). The company holds 69 per cent of the stake in the South African unit. The Indian units export the requirements to cater to the Sri Lankan and other neighbouring markets.

Conservative group

Despite being over three decades old, the group has been conservative. It became a listed entity in 1986 on the Calcutta Stock Exchange and subsequently made a direct debut on the BSE in December 2011, after a private placement. GPTIL raised ₹32 crore in equity through the private placement route in June 2010, divesting 14.9 per cent of its shares at ₹140 per share (current market price: ₹156) to Nine Rivers Capital. Currently, the Tantia

SAJAL BOSE

Vaibhav, D.P, S.G and Tantia: focussing on new areas

family holds 74.44 per cent of the stake in the company, while the balance is with the public. In the near term, the Tantias are looking at an NSE listing, as the third generation – Atul and Vaibhav, sons of D.P. Tantia – have joined the board and are looking for new horizons beyond Indian shores to grow the business.

"We saw GPTIL as a railways-focussed infra services company, with its dominant presence in the east and northeast looked at as a unique value proposition. Strong execution skills and a track record of successfully delivering complex bridge projects provided GPTIL a serious competitive advantage in those geographies, where huge investments for creation/up gradation of railway infrastructure were being planned.

Financials

GPT group	2014 (₹ crore)	2013 (₹ crore)	Change (%)
Total income	456	496	-8
PAT	6	14	-57
EBITDA	65	68	-4
EPS (₹)	4.34	10.05	-57

The successful foray into the South African railway sector also created a de-risking framework," explains Sandeep Daga, founder & MD, Nine Rivers Capital Holdings, which is a Mauritius-based private equity fund focussed on India-centric opportunities, as also an asset management and advisory firm focussed on small/mid cap public equities. Nine Rivers Capital looks actively at infrastructure enablers – companies which are part of the supply-chain of infrastructure development, with focus on differentiated opportunities in each of the sub segments of infrastructure.

The last one year has not been that great for GPTIL. For the year ended March 2014, the consolidated revenue of the company stood at ₹455 crore, as compared to ₹485 crore recorded in the previous year. The operating profit (EBIDTA) was also down from ₹68.74 crore to ₹60.79 crore during the same time, while PAT more than halved from ₹14.41 crore to ₹6.31 crore. "The numbers were down on account of a large cut in government expenditure," says Atul Tantia, ED, GPTIL, who expects a revival in the concrete sleeper business.

"From mere fabrication and erection of steel-girder bridges, we have forayed into construction of flyovers, urban interchanges, elevated viaduct structures for metro railways, roads, tracks for metro. With a robust order book position of more than ₹1,800 crore (as on March 2015) and growing, we are positioning ourselves to continue the growth for the future", says Atul, targeting a compounded average growth rate (CAGR) of plus 35 per cent in the coming years. "For the next round of growth, we are focussed on our operating margins, which have led to a strong and healthy order book with a hurdle rate of 13 per cent for our EBIDTA margins". GPTIL's diverse client base includes Indian Railways, IRCON, RITES, AAI, PWDS, SAIL, NTPC, Transnet Freight Rail and Myanmar Railways, to name a few. "With the revival of capex, we expect many of our clients to embark on expansions," adds Atul Tantia.

"The big investments in the rail sector that were to be made over the last five years are likely to take place now over the next few years. GPTIL is well positioned to participate in this phase of railways growth. Additionally, over last couple of years, GPTIL has also ventured into other areas of infrastructure, such as mass housing, which are likely to attract large capital allocations in the coming years. Further, it has pumped up its international business, adding capacities in South Africa and Namibia, thereby creating a solid platform for growth in that region," says Daga, picturing GPTIL's way forward.

"We are now focussing on the new areas like low cost-housing, riverfront development, urban and port infra, etc, which are also the focus areas of the new government. We believe our core competence in the construction of complex bridges and delivery of contracts in time will enable us to achieve the growth rate of 35 per cent in the coming years," concludes Atul, who is planning to raise some $15 million (about ₹90 crore) through QIP or private equity in the near future.

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