



“GPT Infraprojects Limited Q3 FY19 Earnings
Conference Call”

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**MANAGEMENT: MR. ATUL TANTIA – EXECUTIVE DIRECTOR & CFO,
GPT INFRAPROJECTS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the GPT Infraprojects Limited Q3 FY19 Earning's 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 '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded; I now hand the conference over to Mr. Atul Tantia. 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 and the Nine Months Ended 31st December, 2018. I have with me representatives from Stellar IR Advisors, our investor relations advisors. I hope you all have received the updated investor presentation. We have also uploaded the same on our website and the website of the stock exchanges for your reference.

We will begin the call with an update on the financial performance of the company during the quarter followed by the question and answer session.

Firstly, we are pleased to inform our shareholders that the board has recommended an interim leverage of 20% that is Rs. 2 per equity share. The record date of the same is 23rd Feb 2019.

Now for the third quarter's performance; we have reported consolidated revenues of Rs. 142.2 crores in Q3 FY19 compared to Rs. 118.4 crores in same period of last year, recording a growth of 20.1% year on year. Of this, the infrastructure division for the remaining about 75% and the balance 25% came in from the sleeper division.

During the nine-month ended 31st December, 2018 the consolidated revenue stood at Rs. 415.7 crores compared with Rs. 354.4 crores in the same period of last year, recording a growth of 17.3% year on year. Of this, the infrastructure division could remain about 73% and the balance 27% came in from the sleeper division.

The past quarter has witnessed a significant uptick in the execution of contracts which posted a revenue growth of almost 32% year on year in Q3 FY19 and 12% year on year in the nine months ended 31st December, 2018. Construction works for most of our projects are going on well. On the order inflow front, we have received orders of almost Rs. 630 crores year to date till FY19 in the infrastructure sector. Our company bagged its largest single order of worth Rs. 360 crores from RVNL Varanasi for rail cum road bridge works at Ghazipur under infrastructure segment; this work is also going on smoothly and we have already started billing to the client. Given our strong order book and order pipeline, we expect continuous improvement in performance of infrastructure contracts even in the next fiscal.

Sleeper business too has continued to improve both in India and Africa. Our South Africa business has seen an uptick in execution, more so from second half of last year as mining operations have picked up in the country. With improving execution, we expect higher returns

on the investment made by us in our South African subsidiary. Similarly, our Indian sleeper business too should benefit this year on the back of strong order book.

The EBITDA for Q3 FY19 came in at Rs. 20.4 crores compared with Rs. 23.8 crores for the corresponding quarter of last financial year which was a drop of 14% year on year primarily on account of some one-time provisioning of expenses and FOREX losses. Similar figure for nine months ended FY19 stood at Rs. 61 crores against Rs. 64.2 crores in the same period of last year. EBITDA margin for the quarter was at 14.4% versus 14.7% in the nine months.

Consequently, the consolidated Profit after Tax and share of minorities for Q3 FY19 was at Rs. 2.04 crores and for the nine months FY19 PAT stood at Rs. 10.2 crores.

The working capital remained largely in the range of 160 days as of 31st December, 2018 which was along the same lines as on March of 2018.

In terms of order intake; in the current fiscal, we have received 4 contracts totaling to almost Rs. 630 crores and additionally we are L1 in contracts worth of almost Rs. 200 crores. One of the largest orders, like I said earlier in the history of the company was the contract with RVNL, Varanasi for Rs. 362 crores which includes construction of roads rail, wired up bridges, RUVs, ROVs, tracks and general electrical work for rail cum road bridge at Ghazipur.

On completion of the aforementioned order which is planned over the next 3 years we will be eligible to get subsequent orders worth Rs. 1000 crores on our own. Currently our net order book stands at Rs. 2062 crores, excluding L1 orders which give us a book-to-bill ratio of almost 4x.

Lastly, our business prospects for the coming year, we are very positive on the ongoing boost in the infrastructure activities, especially in the Indian Railways and being one of the pioneers in these segments, we believe we would significantly benefit from this same.

We are bidding for various projects, the EPC space of higher ticket-size and expect better order inflow over the last year. Further, our focus on profitability would continue with the EBITDA hurdle rate of 13-14%, coupled with better working capital cycle, thereby enhancing our overall profitability.

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

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the Question and Answer session. Our first question is from the line of Mohit Bansal of Ajinkya NPN. Please go ahead.

Mohit Bansal: Can you please elaborate on the reasons for the drop in EBITDA margins?

- Atul Tantia:** Yes, so like I said in my opening remarks the reason for the drop in the EBITDA margin is primarily on account of one time provision of some expenses and drop is due to the FOREX translation, however the EBITDA margin continues to be above our hurdle rate of 14%, so the EBITDA margin of the 9 months stood at 14.7%, we have always said that the EBITDA margin would be between 14-15%. So, we continue to be beyond our hurdle rate in terms of EBITDA margin, the drop is primarily on account of the two factors that I mentioned earlier.
- Mohit Bansal:** Can you give a breakup of the provisions as well as translation losses for this quarter?
- Atul Tantia:** For the 9 months, it will be about Rs. 2-2.5 crores on account of provision and the FOREX losses, there are two portions of FOREX losses, one is in terms of the reinstatement due to the drop in the RAND versus the Rupee, compared to September and that would be a loss for almost Rs. 50 lakhs to Rs. 1 crores and there is a reinstatement of the FOREX loss which is coming below the PAT line, of almost Rs. 4.7 crores.
- Mohit Bansal:** So what are these provisions taken for?
- Atul Tantia:** The provisions are mostly on account of some contracts which are on the verge of closure.
- Mohit Bansal:** So have we taken the entire provision or are there more provisions that we will have to take in the coming quarters?
- Atul Tantia:** So, we have taken on a contract to contract basis, the management has taken some provisions. So, since we are closing 5 major contracts by June of this calendar year, we have taken provision on two of the contracts, on three other contracts we have still not taken the provision because we see that the provisions are not required at this stage, we are still in negotiation with the customer to release the entire amount.
- Mohit Bansal:** So, will you be able to help us with the total contract size or the money that we have not received from these particular contracts that we have started providing for?
- Atul Tantia:** We will have to get back to you on that, I cannot provide that to you readily, if you can just get in touch with us directly or through Stellar, then we can provide the detail to you.
- Mohit Bansal:** Okay, so are these contracts the same contracts on which we won arbitration or these are different projects?
- Atul Tantia:** No, these are different contracts. The arbitration contracts are still in the arbitration, so the arbitration award that had come in our favor, there is still hearing pending in Delhi High Court which has challenged the award of the arbitration, that hearing is scheduled on 18th of March and we expect it to be decided in our favor.

- Mohit Bansal:** So, basically I would want to take this question again on the arbitration or the High Court process but coming back to the provisions, can you please comment on what kind of provisions are expected in the future?
- Atul Tantia:** So, the contracts that are on the verge of closure like I said, there are 5 contracts which are on the verge of closure, out of which two we have already accounted for and the balance 3 we expect the contracts would be closed as per our expectations. So, we have not accounted for them in the quarter.
- Mohit Bansal:** So, you cannot give guidance on the provisions for maybe for the next 1 or 2 quarters here?
- Atul Tantia:** No, unfortunately.
- Mohit Bansal:** Okay, can you please inform us on the High Court proceedings or where we are in terms of the award winning?
- Atul Tantia:** So, like we have always said earlier in the last couple of earnings call and presentation; there was arbitration against NHAI in one of our subsidiaries Jogbani Highway Pvt. Ltd wherein the subsidiary had won an arbitration award of Rs. 61.2 crores from NHAI, it was decided by a Senior Arbitration Tribunal, constituting of one retired Supreme Court judge and two retired Delhi High Court judges. NHAI has referred an appeal with the Delhi High Court; Delhi High Court has asked NHAI to deposit Rs. 30 crores with them in order to grant the hearing which NHAI has done in December of last year. The next date of hearing is on 18th of March and then our lawyers expect that the Delhi High Court would decide in our favor.
- Mohit Bansal:** Okay, when are the hearings expected or have the dates been decided already?
- Atul Tantia:** Like I said, 18th of March.
- Mohit Bansal:** And in the last con call we had also asked you on the update on bank funding that we were trying to arrange, can you please throw some light on the update on them as well?
- Atul Tantia:** So, I am sure everyone is aware 3 banks have come out of the PCA Framework by RBI and so we expect the bank lines would be available much better as compared to what it was in the past. We are on the verge of being chosen for almost Rs. 60 crores worth of bank guarantees in the next couple of weeks.
- Mohit Bansal:** Okay, can I take one more question?
- Atul Tantia:** Sure.
- Mohit Bansal:** Can you just also throw some light on the business scenario, especially in terms in the view of the elections season, etc?

- Atul Tantia:** So, elections really do not affect the infrastructure industry per se because we believe that any government that was to come in would have to continue to be focused on the infrastructure activities in the country. However during the election period which is expected to be in April and May, obviously there would be some slowdown because the workers in the various projects would travel back to their home States in order to the voting, etc. to happen. So, there would be some disruptions at that time in April and May in terms of the progress of work, other than that we do not expect a very large impact in terms of the execution of the contracts.
- Mohit Bansal:** Okay let us say that do you believe that post the elections you will have order inflows, etc. to begin again, till that time at least for the next month to first quarter will be lull?
- Atul Tantia:** Obviously as the new government does come in, they setup, they will also decide on their priorities and then the tenders will come out for the new contracts.
- Moderator:** Thank you. Our next question is from the line of Shruti Sharma an Individual Investor. Please go ahead.
- Shruti Sharma:** Sir my question is; is there any update on GMR order for supply of concrete sleeper and how is the progress over there?
- Atul Tantia:** So, the two factories that we have setup for the concrete sleeper supply for GMR, the supply is going on smoothly, the factories were set about 1.5-2 years ago, till date we have completed about close to 25-30% of the order and the supplies are still going on to GMR.
- Shruti Sharma:** So, out of like Rs. 246 crores project we have done around 25-30% that is what you are saying?
- Atul Tantia:** Correct.
- Shruti Sharma:** And are we bidding for more such DFCC orders currently?
- Atul Tantia:** Currently there is no DFCC contract for concrete sleepers available in the domain because the newer contracts are still to be tendered out, so obviously as and when it starts coming, we will bid for that.
- Shruti Sharma:** And the order inflow in nine months FY19 is largely in the infra segment, right? Can you throw some light on the ordering activity in concrete sleepers in India and Africa, both?
- Atul Tantia:** So, in India there is a bi-annual tender that the Indian Railways charge for purchase of concrete sleepers, the tender has already been done by the Indian Railways last year and the financial bids have also been opened and we expect that the orders to be finalized in the next 1-2 months. For Africa, in terms of Namibia our request for extension of the contract has already been processed by the Ministry of Works and Transport and we again expect that to come through in the next 1-2 months. South Africa we have the contract with Transnet Freight Rail

till February of 2020; we expect the tender for the new contract to come out sometime in October, November of this calendar year.

Shruti Sharma: And sir one more question I have, what is the reason for a little decrease in the revenue in concrete sleeper segment in this quarter?

Atul Tantia: So, like I said to the earlier speaker that there is a drop in the FOREX translation between RAND to Rupee, so that is why the revenue for the 9 months in South Africa has reduced compared to what it was in the 6 months.

Moderator: Thank you. As there are no further questions from the participants, I now hand the floor back to Mr. Tantia for closing comments. Over to you sir.

Atul Tantia: Thank you everyone for your participation in the Q3 FY19 Earnings Call. Like I said earlier, we have uploaded the results presentation on our website and the website of NSE/BSE. 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. Ladies and gentlemen on behalf of GPT Infraprojects that concludes this conference. Thank you for joining us and you may now disconnect your lines.