



GPT Infraprojects Limited

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GPTINFRA/CS/SE/2023-24

November 14, 2023

**The Department of Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai - 400001**

**National Stock Exchange of India Ltd.,
Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051**

Dear Sir / Madam,

Sub: Update on Conference Call held on November 09, 2023 - Call Transcript

Ref.: Scrip Code - 533761; Symbol - GPTINFRA

In compliance with Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of Conference Call held on Thursday, November 09, 2023.

Kindly take the aforesaid information on record and oblige.

Thanking you,

Yours sincerely,

For **GPT Infraprojects Limited,**

**Mohit Arora
Company Secretary**

Encl. - As Above



“GPT Infraprojects Limited Q2 & H1 FY24 Earnings
Conference Call”

November 09, 2023



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

Moderator: Ladies and Gentlemen, Good day and welcome to the GPT Infraprojects Limited Q2 & H1 FY24 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.

I now hand the conference over to Mr. Atul Tantia – Executive Director and CFO. Over to you, sir.

Atul Tantia: Thank you. Good afternoon, everyone and a warm welcome to the GPT Infraprojects Limited Earnings Conference Call for the second quarter and half year ended September 30th 2023. With festivities in the air, I extend my warm wishes to everyone on the call today. The results presentation along with our press release has already been uploaded on the company's website and that of the stock exchanges. We hope you have had a chance to go through the same.

Today on the call, we also have with us Stellar IR, our Investor Relations Advisors. I'm glad to announce that the second quarter and the first half FY ended 2024 has been a remarkable quarter for the company, given that generally the second quarter is one of the weakest for any infrastructure company.

However, if you compare it on a quarter-on-quarter basis we are almost flat and we have achieved a 53% growth on a year-on-year basis. The strong quarterly performance is on all parameters that is revenue, EBITDA, PAT and cash flow. This achievement is attributable to our strong execution capabilities and a steady focus on cash flow.

Now moving to the financial numbers for the second quarter and half year ended FY2024. Our revenues for Q2 FY24 were Rs 225 Crores on a standalone basis which compared with Rs 151 Crores last year representing a growth of 49% year-on-year. On a consolidated basis, the revenues stood at Rs 235 Crores compared to Rs 153 Crores for the last year, representing a growth of 53% year-on-year.

On a half-year basis, the revenues were Rs 464 Crores on a standalone basis which were higher by 37% on a year-on-year basis as compared to Rs 339 Crores last year. On a consolidated basis, the revenue stood at Rs 474 Crores compared to Rs 342 Crores last year with the growth of 39% year-on-year.

In both this standalone and the consolidated numbers, we have set the target of 25% growth this year and we are very confident of achieving the same. This growth will majorly be driven by a significant execution infrastructure segment which accounted for approximately 89% of our total revenues. Our standalone EBITDA for the quarter stood at Rs 27 Crores compared to Rs 20 Crores, representing a growth of 39% year-on-year and EBITDA for the half year was Rs 60 Crores compared to Rs 44 Crores last year, which is a growth of 35%.

In terms of consolidated EBITDA, the same came in at Rs 32 Crores for the quarter compared to Rs 21 Crores last year representing a growth of 58% and EBITDA for the half year stood at Rs 62 Crores compared to Rs 43 Crores on a consolidated basis last year, representing a growth of 44%. We are quite confident of maintaining our long-term EBITDA margin of 12% to 13% from the operations which we have guided historically.

With the improvement in revenue, the operation efficiencies have helped us ensure long term EBITDA is met and we expect the same to be maintained going forward as well. The company has declared an interim dividend of Re. 1 per Share record date of the same has been fixed on November 24, 2023, maintaining our dividend policy of rewarding shareholders.

In terms of balance sheets, the management continues with a strong focus on cash flow and receivables, while ensuring that the projects achieve the hurdle rate EBITDA of 12% to 13% which is led to report strong numbers over the last three years. Our cash flow to EBITDA conversion remains strong and will be one of the highest for the industry and especially this year on account of the receipt of arbitration receivables, we expect it to cross 100% and thus providing comfortable liquidity for the operations.

The bank limit continues to be utilized South of 85%, thus enabling the operations to go on smoothly. We have avail facilities for issuing performance

security bonds from insurance companies for the new projects awarded to us, being the first company in the country to do so. Furthermore, our balance sheet is becoming more deleveraged with operating cash flow being much stronger.

Now coming to our segmental performance:

Our infrastructure segment demonstrates strong execution progress with a remarkable 37% increase in revenue reaching to Rs 210 Crores for the quarter ended 30th September 2023. This segment continues to be the backbone of our business, contributing almost 89% of our total revenues for the quarter.

Regarding the sleeper segment, the same generated revenue of Rs 24 Crores in second quarter FY24 despite completion of the contract for the dedicated freight corridor and we anticipate the increase in momentum in the super segment will be backed by the commencement of the operations in South Africa. We expect this segment to contribute 10% to 12% of the annual revenues for the full year as well, especially with the Ghana operations also contributing revenues in the fourth quarter once the product is approved by local railways.

The key contracts for the infrastructure segment continue to be performed well with contracts like Prayagraj, Ghazipur, Mathura, Jhansi, Nimita, Byculla are driving a major part of the revenues. In terms of the order book for the second quarter, we have achieved the highest order book of Rs 2,877 Crores which is the unexcused order book. Due to the order inflows of Rs 1,017 Crores during the year, which represents almost 3.6x, our FY23 revenues providing strong visibility to the management.

Recently we have backed the largest order largest single order in the history of the company for Rs 739 Crores from NHAI for construction of a new four lane Prayagraj Southern Bypass on NH 17 in the state of Uttar Pradesh under the Bharatmala contract on the EPC basis. This is a major part of the contract for the construction of bridge over the Sangam in Allahabad.

It is worth mentioning that this order book represents one of the highest in the company's history. To enhance profitability, we have implemented key

measures such as optimizing working capital and reducing outstanding with various customers. We continue to be positive, driven by our strong outstanding order book, improving financial conditions including stronger cash flows and lower debt position as a result of the reduction in the receivables.

We have already mentioned to you about the setting of the factory in Ghana with the capacity of 240,000 sleepers. The factory has already been commissioned and the product is awaiting the final approval from the railways post, for which the revenues will be start to be booked. The South African business is back on track. Its revenues are increasing by 138% on a year-on-year basis.

As we had indicated in the previous call as well. We are glad to inform you that our company has settled the long pending arbitration disputes with two customers under the Vivad Se Vishwas scheme II, contractual dispute scheme of the Government of India, which were in which we applied in the previous quarter and the pending disposals have been mutually settled between the customer and the and the company subsidiary / joint venture.

The customers have also withdrawn the cases from the courts. We expect to receive the cash from these customers by 31st December 2023. We are very thankful to the government for bringing out such a scheme which will ensure that the old disputes across the industry are settled and will provide much required cash for all the companies.

Industrial updates as we navigate the challenges presented globally, we are continuing to discover our sources of strength and resilience. To boost trade flow and add passenger trains the Indian Railways has suggested a massive plan to invest Rs 4 Lakh Crores on multi track 7 high density corridors. The program has been spread over a period of 10 years from 2024-25 to 2033-34

In addition to doubling and laying 3rd and 4th, line and various sections throughout the course for the next 10 years. The main objectives is to make these corridors currently for carrying 41% of the Indian Railways total railway traffic more capable of handling additional trains, especially with the advent of the Vande Bharat passenger and the Vande Bharat sleeper trains as well.

I would like to reiterate that in Q2 FY24 the secured orders of 1,017 Crores for the first half, including incremental orders from existing contracts.

As of Q2 FY2024, our unexecuted order book remains at Rs 2,877 Crores which is approximately 3.6 times our FY23 revenues providing excellent growth with the belief for the management. With strong execution on the back of the largest order book in the history of the company we are on track to cross Rs 1,000 Crores in revenues this year and expect to maintain the growth momentum going forward as well. We remain positive for the future prospects of the company and improving financials led by improving cash flows and reduction debt position due to better operating cash flows, which we believe will position us for the higher growth trajectory in the coming quarters.

As I have already mentioned earlier, we are bidding for orders up to Rs 1000 Crores single orders and we are expanding our potential opportunities for the growing infrastructure segment in India. This testimony of the same lies in the receipt of the largest single order received by the company of Rs 739 Crores in the last month. As we have started our fiscal year 2024 with a strong performance, we expect to maintain the same going forward as well with the guidance of 25% growth in revenues and 50% growth in profit for the full year.

Thank you, everyone, and we look forward to addressing any questions or concerns you might be having with respect to our financial performance and future prospects. I will now request the moderator to kindly open the floor to any questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudhir Bheda from Bheda Family Office. Please go ahead.

Sudhir Bheda: So, my question is, as we have grown by almost 35% in the first half, so the same momentum is likely to continue for the second half as well?

Atul Tantia: So just to correct you we have grown this momentum is expected to be 25% for the full year which is like I've said in my opening remarks as well, and we expect to maintain across 1,000. Crores for the full year.

Sudhir Bheda: So that means second-half would be muted kind of growth 15% because 35% we have already grown. So, to get the average of 25%, our growth would be muted in the second-half, is it the right understanding?

Atul Tantia: It's not muted per se I think on an average we will be -- so in the second-half we will achieve almost close to Rs 600 Crores of revenue so which I think last year we achieved about Rs 500 Crores odd so it's almost 20% close to 20%, 18% to 20% growth.

Sudhir Bheda: And second factory at Ghana which is going to be start in the second half maybe in the last quarter or so. So, what kind of revenue that be generated for the full year if we project it for the next year?

Atul Tantia: So, that will generate a revenue of almost Rs 60- 65 Crores for the full year.

Sudhir Bheda: And sir order pipeline if you can throw light on the bidding pipeline or order pipeline which you are...

Atul Tantia: We are on an unexecuted order book of almost Rs 2,877 Crores and the L1 in further almost Rs 200 Crores of order.

Moderator: Thank you. The next question is from the line of Parth Kotak from Alpha plus Capital. Please go ahead.

Parth Kotak: I don't mean to pry, but as my previous participation I'll probably with all infra companies probably second half is slightly stronger than the first half by that means do we not see our revenues coming in slightly stronger and more than what we're guiding for?

Atul Tantia: So, we had earlier guided for 20% growth for the full year, which we have bumped up to 25% for the full year. So, I think that these might exceed that revenue honestly, but that number honestly, but we will be anywhere between 25% to 30% for the full year, but like I said, we expect to be in the range of about Rs 1,000 Crores plus. So, it'll be almost Rs 1,050 Crores to 1,060 Crores for the full year, Rs 1,050 Crores does mean almost close to 29% growth, but 25% is something that is we think that is quite will be done and we have a

target set internally for almost a 30%. So, if we do achieve 30% then still for the second-half we'll be going in 22% to 25%.

Parth Kotak: Sir secondly, I think the arbitration receipt was supposed to be received in October, has there been a slight delay and if that's the case would there be a chance that there would be further delay in receipt of this arbitrage?

Atul Tantia: So, the arbitration receivable was not expected to be received in October. It was expected to be received by December 2023. We have already settled the arbitration award and the agreements have been signed. The cases from the court have been withdrawn by NHAI and IRCON respectively and by us as well. The expectation is that one of them will be received in this month itself, that is November and the second one could be November end or early December.

Parth Kotak: Sir, just one last question, probably not so much on the fundamentals I think the market realizes are pricing and market cap is slightly out of sync with our fundamental performance, which is sort of being hindered by the ESM mechanism which is being implemented by the exchanges. Any view on when we would be out of the ESM mechanism?

Atul Tantia: I think someone in the exchange can only answer. I have no idea and we do not honestly can help it to get out, the exchanges have their own criteria and creditors do put companies in and out of the ESM mechanism. I hope that it is done earlier rather than later, so that's the only thing I can say on it.

Moderator: Thank you. The next question is from the line of Anish Mehta from Donga and Associates. Please go ahead.

Anish Mehta: My question is related to an arbitration award, which is settled and declared in the name of the company. So, how it has been reflected in the P&L for the quarter ended September 23 and as on the balance sheet as on 30th September 23?

Atul Tantia: So, the arbitration receivable has been reflected in the P&L of the quarter ended September 30th, 2023 and the assets that we were carrying in terms of the work in progress and inventories etc., they have accordingly been also expensed out.

So, they have been the P&L has been adjusted towards the arbitration receivable.

Anish Mehta: Sir this revenue has been recognized as of now or it was earlier recorded.

Atul Tantia: Revenues as per the accounting policy revenues recognized net of what you call the arbitration, the carrying value of the investment or carrying value of the inventory and the work in progress contract assets. So, it has been netted off. The revenue recognized is not a significant amount. It is quite a small amount, about Rs 5 odd Crores for the subsidiary. So, again to clarify, the arbitration has been settled not by the company, but the company subsidiary and joint operation the company has not done it.

Anish Mehta: So, in the balance sheet which has been provided for the 31st March 23, there were disputed trade receivables considered good. It was this amount was been impacted here for Rs 438.04 Crores, right?

Atul Tantia: No, the disputed trade receivables is not Rs 438 Crores. I don't know where you getting that number from. Disputed trade receivables is much, much lower, Rs 438 Crores is not our total receivable as well.

Anish Mehta: In the annual report, which has been provided, it is Rs 438.4 Crores, disputed trade receivables considered standalone numbers Rs 4.38 Crores?

Atul Tantia: Say that you're saying Rs 438 Crores that's why I'm getting confused. So, part of that has been realized and one more from the Kanpur Development Authority is still pending they are in the audit report as well.

Anish Mehta: So, this Rs 70 Crores, which is the number which we have settled where it was and how much it has been write off as of now?

Atul Tantia: So, Rs 70 Crores is not the number that we will get, the subsidiary and the joint operations get. Our share is 74% in terms of the contract with NHAI and 57% in the terms of the contract with IRCON. So, if I were to total both of them, we would get close to Rs 50 Crores. Out of the Rs 50 Crores this number is there in terms of the balance sheet and the trade receivables at the moment for the September balance sheet.

Anish Mehta: Since we have not received the money, it has not been impacted in the balance sheet. We have not written offright?

Atul Tantia: It's not yet written-off. That Rs 50 Crores is coming as a as a balance sheet number from this receivable from the customer in the current assets and the corresponding inventories and all that have been written off in the P&L.

Anish Mehta: Do you have exact numbers how much of these Rs 70 Crores is recognized as revenue in the current quarter and how much has been write-off?

Atul Tantia: There's no write-off per se of any of the receivables. The earlier we were carrying it as an inventory. So, revenue that is recognized is net of the inventories that's why I'm telling you the revenue for the subsidy that has been recognized is about Rs 4.8 Crores.

Anish Mehta: Rs 4.8 Crores revenue.

Atul Tantia: That is net of the carrying value of the subsidiaries inventory and other expenses.

Anish Mehta: So, Rs 70 Crores is total which will be received?

Atul Tantia: No, Rs 70 Crores is not totally received Rs 50 Crores like I said, Rs 70 Crores is not our share. Rs70 Crores is the total amount of money our shares is Rs 50 Crores which is 74% of the NHAI receivable of Rs 59 Crores and 57% of the IRCON receivable which is Rs 11.77 Crores. So, total our share is about Rs 50 Crores, Rs 70 Crores is overall received from the customer.

Anish Mehta: So, out of the Rs 50 Crores, your is Rs 4.8 Crores, correct?

Atul Tantia: Correct.

Anish Mehta: And balance will be adjusted against on that inventory and all right?

Atul Tantia: Yes, net of the carrying value of the inventory and other contract assets, which includes the work in progress etc. The revenue recognizing subsidiaries was Rs 4.85 Crores close to that.

- Anish Mehta:** So, Rs 4.8 Crores is our shares right or total?
- Atul Tantia:** It is our share.
- Moderator:** Thank you. The next question is from the line of Sudhir Bheda from Bheda Family Office. Please go ahead.
- Sudhir Bheda:** Just wanted to ask sir about the margin trajectory as a long term you have already stated 12% to 13% is the range where we can expect a long-term margin, sustainable margin, but if you see really, we have clubbed around 13.75% margin for the first half. So, this kind of margin, at least in a year or so it will continue or how it is or it was some it will taper off?
- Atul Tantia:** No, for a year or so it will continue because the Ghana operations will have a higher margin. So, I think this kind of margin will continue for a year or so, but the long term like I've said will be in the 12% to 13%, but for a year especially with EPC contracts, the larger EPC contracts, that's the range in the industry, but for the next year to two years, because of the Ghana operations and what you call the margin for that subsidiary we should get that 13.5% to 14% range?
- Sudhir Bheda:** And sir one more question if I actually listen to your commentary, you have stated that for the entire year cash conversion to EBITDA would be around 100%. So, is it the right understanding?
- Atul Tantia:** Cash from operations to EBITDA will be North of 100% especially because of the receipt of this arbitration receivables.
- Moderator:** Thank you. The next question is from the line of Aditya Sen from Robo Capital. Please go ahead.
- Aditya Sen:** Sir in earlier calls and press releases we have mentioned that we'll be expecting Rs 1,600 Crores of order inflows this year and we have already done more than Rs 1,000 Crores. So, in H2, are we still expecting around roughly Rs 600 Crores of inflows, or it should be more than that?

Atul Tantia: So, like I said in one of the earlier questions sorry L1 in almost Rs 200 Crores of new orders. So, H2 we should get especially with elections around the corner. We should get close to Rs 800 Crores to Rs 1000 Crores of new orders. So, we will I think cross the Rs 1,600 Crores target that we have set for the year.

Aditya Sen: And we are going 25% this year in terms of revenue, so same trajectory for FY25-26?

Atul Tantia: For FY25, yes, but I think FY26 again it depends on how the order book plays out. Obviously, there is a major event that is the elections, but I think that we should go around the 20% to 25% mark in the next five years as well.

Moderator: Thank you. The next question is from the line of Dhiraj Sachdev from Roha Asset Manager. Please go ahead.

Dhiraj Sachdev: I just wanted to know what is the margin difference between Ghana and the EPC contracts that you do domestically and also since our NHAI mix is also increasing, are you confident of maintaining these margins and cash flows on the working capital side?

Atul Tantia: So, the Ghana margin is close to 27%, 28% and we have also achieved that earlier in the year as well. In the African market generally it's North of 20% for our South Africa business also. In terms of whether we can maintain this long-term EBITDA of 12% to 13% due to NHAI and other larger contracts. So, like I said again to the previous caller because of the Ghana operations next year, we would be around the 13.5% to 13.75% margin, but long term we see it in the 12% to 13% range. So, we were earlier doing maybe around 13%. Now we're saying because of the larger contracts we will do about 12% to 13% range, but having said that with the reduction interest expense and PAT margin will be higher than what it was historically.

Dhiraj Sachdev: Since the mix is also changing and we have seen a lot of EPC players with larger contract sizes having stresses in the past, what is the threshold for accepting an order? What is the due-diligence and risk management practices internally that you adopt for taking or not taking the order because at the end

of the day attain business, competitive business, but it can dilute your cash flows, it can dilute your ROC. So, if you can just elaborate on the management strategy on the order quality intakes rather than just building up the order book?

Atul Tantia:

No, we are never interested in just building up the orderbook we don't like to do that ever. So, one of the key filters is A we like to see the line of funding and we do mostly central government contracts. When I say mostly it's almost 90% to 95% is central government funded contracts or multilateral funded contracts.

These contracts are generally with the railways or NHAI or MORTH. When I say railway is also railway PSUs like RVNL, IRCON and others and these contracts generally have the land available so that the contracts can go on smoothly and we are very, very disciplined in terms of our bidding strategy that we want to maintain that kind of EBITDA margin. So, we do build in some contingencies as well.

So that when we are able to execute the contracts, we are able to deliver these 12% to 13% EBITDA range and if you see our EBITDA, it has been always north of 13% this shows the discipline of the management. We have a fully independent audit committee which monitors the margins on a quarterly basis and does discuss the same with the statutory orders which is BDO that is NSK & Associates and they do review the budgeted margins for the wider management and how we are tracking against the actual margins. And we have seen that we have tracked quite close to the budgeted margin which is 12% to 13% historically.

Dhiraj Sachdev:

Again, my question is only partly answered on the margins as you mentioned about committee, doing due diligence on margins of 12% - 13% on the new orders, my question is extended not only to margins, but also on the working capital and cash flow side. So, ROCs, how do you intend to maintain beyond 14%, 15%, 16%. You should evaluate not just the margin part, but also on the orders and the milestone payments and the ROC's effectively speaking rather than just accrual profits, so if you can elaborate that part?

Atul Tantia: In terms of ROC, we have always been targeting that cash flows to EBITDA would be North of 90%. So, if our cash flow to EBITDA is North of 90%, which I don't think many people in the industry can claim really speaks on the return ratios that we can deliver. Our long-term target for ROC is 18% to 20% and we expect to maintain that as well. We are and we have a good dividend policy as well. So, ROE might seem a little depressed in terms of the optically, but I think because if adjust for dividend be slightly higher.

Dhiraj Sachdev: So, we are evaluating beyond these margins only?

Atul Tantia: So, always believe cash flow is king and cash flow is something that we should always factor in when we are bidding for contracts. We do a full cash flow analysis and then only we do bid for contracts.

Dhiraj Sachdev: So just an example, this Prayagraj order of Southern Bypass Rs 739 crore will meet your criteria of 90% EBITDA-to-Cash Flow conversion?

Atul Tantia: So, it can what you call on a quarter-on-quarter basis it can be slightly skewed because initially there would be a lot of investment that will happen towards the contract and it might be due to like the milestone payments etc. it's still it might not deliver about the 90% mark. But I think that after the second or the third quarter it will start achieving that 90% mark.

Dhiraj Sachdev: So, what is the execution time cycle for this project, let's say?

Atul Tantia: 13 months.

Dhiraj Sachdev: So, over a period of 13 months is when you are saying EBITDA to cash flow can become 90% even for this project?

Atul Tantia: Correct.

Moderator: Thank you. The next question is from the line of Anish Mehta from Donga and Associates. Please go ahead.

Anish Mehta: My question is you said sir earlier we are around 74% holding in Jogbani Highway Private Limited. So, sir can you tell me who is the other party balance 26%?

Atul Tantia: So, there is another party called RDS Projects Limited that was the qualification strategy that was the qualification criteria when we had bid for the contract in 2010-11. So, they are the other part to the subsidiary.

Moderator: Thank you. As there are no further questions from the participant, I now hand the conference over to Mr. Atul Tantia for closing comments.

Atul Tantia: Thank you everyone for your questions which I hope I've been able to suitably address. In case you have any other further questions, do please get in touch with Stellar IR or directly with us. I wish you a very Shubh Deepavali and hope that the coming year will be prosperous and successful for you and your family. Thank you and have a good day.

Moderator: On behalf of GPT Infraprojects that conclude this conference. Thank you for joining us and you may now disconnect your lines.