



GPT Infraprojects Limited

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GPTINFRA/CS/SE/2024-25

August 04, 2024

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 August 01, 2024 - 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, August 01, 2024.

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
Q1 FY '25 Earnings Conference Call”

August 01, 2024



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

**MODERATOR: MR. ALOK DEORA -- MOTILAL OSWAL FINANCIAL
SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to GPT Infra Q1 FY '25 Earnings Conference Call hosted by Motilal Oswal. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Alok Deora. Thank you, and over to you, sir.

Alok Deora: Thank you, and good morning, everyone. Welcome to the Q1 FY '25 Earnings Conference Call of GPT Infraprojects. So I would like to thank the management for giving us the opportunity to host this call. So we have with us today Mr. Atul Tantia, Executive Director and CFO of the company.

So I'll just hand over the call to Mr. Tantia to give some opening remarks and discuss on the performance, and then we can take up the Q&A session. Thank you, and over to you, sir.

Atul Tantia: Thank you, Alok. Good morning, everyone, and a warm welcome to the GPT Infraprojects Limited Conference Call for the first quarter ended June 30, 2024. I hope you all had the opportunity to review the financials as well as the presentation that was released to the Stock Exchanges yesterday. I will briefly cover the key highlights for the quarter. Joining us on the call today is Motilal Oswal, who has hosted the conference; and Stellar IR, our Investor Relation Advisors.

The quarter gone by, we have grown the revenue from operations by 2.5%. This is despite the disruptions due to the general elections during the quarter. As you are aware, this can lead to some labor shortages at the site, because they are mostly migrant labors who travel from their native towns to work at their various construction projects.

The growth trajectory is underpinned by our focus on the Infrastructure segment, which continues to be the primary driver of our revenues, accounting for 93% of the total revenues. Our total consolidated revenues for Q1 FY '25 amounted to INR243 crores, marking a 1.5% increase year-on-year growth compared to INR240 crores last year. So the April and May month saw a dip in the performance. However, the June month has seen a bounce back in the performance, and we are currently at a monthly run rate of more than INR100 crores.

This quarter, the company has also completed the bonus issue in the ratio of 1 equity share for every equity share held by the shareholders. This is the second bonus issue by the company in the last 3 years and reaffirms our commitment to reward the shareholders.

Our standalone EBITDA for the quarter stood at INR34 crores compared to INR33 crores, representing a growth of almost 6% year-on-year. In terms of consolidated EBITDA for the quarter ended June 30, 2024, the same stood at INR34 crores compared to INR30 crores last year, a growth of 14%. There has been a significant growth in the profit after tax with consolidated PAT for Q1 FY '25 at INR16.8 crores, growing by 27% from INR13.2 crores in Q1 FY '25. Standalone PAT for Q1 FY '25 was at INR17.5 crores rising by 12.2% from INR15.6 crores in Q1 FY '24. This is on account of the operating leverage kicking in due to the reduction in interest costs.

Now coming to our segmental performance. Our Infrastructure segment reported revenue of INR225 crores for the quarter ended June 30, 2024. This segment continues to be the backbone of

our business, contributing almost 93% of our total revenues in the quarter. The key contracts for the Infrastructure segment continue to perform well with contracts like Prayagraj NHAI, Mathura-Jhansi, Ghazipur-Byculla driving a major part of the revenues. The segment has an order backlog of INR3,419 crores with new orders of INR767 crores received in this quarter.

The Sleeper segment has generated revenues of INR17 crores in Q1 FY '25, driven majorly by the outstanding performance of the domestic business and also some contribution from the South African subsidiary. With the thriving order book and reduced debt position, we are well positioned to navigate the dynamic business landscape. As we move forward, we are confident in our ability to capitalize on the positive momentum generated by these factors. Our focus on maintaining a robust and healthy order book, coupled with continuous efforts to optimize our financial structure, lays a solid foundation for our growth trajectory.

As on June 30, 2024, we have a net unexecuted order book of INR3,669 crores, representing almost 3.6x our FY '24 revenues, providing strong visibility to the management and their investors. The order inflow during the quarter was INR812 crores, with the largest single order of INR549 crores from RVNL for construction of an elevated corridor over the Kona Expressway near Calcutta.

During the budget, the Honorable Finance Minister has reemphasized the commitment for the central government to expand on the capital outlay on the national infrastructure pipeline, which is a blueprint for the government's focus on the infrastructure segment, and it is not just a testament to India's commitment to robust infrastructure, but also a beacon for potential investments and opportunities for businesses like ours.

As you are well aware, the company is undergoing postal ballot for qualified placement of up to INR175 crores, which will close on 7th August 2024. This is all from my side, and I look forward to answering any questions or concerns that you might have regarding our financial performance and future prospects.

I'll now request the moderator to kindly open the floor to any question-and-answers. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. First question is from the line of Darshail Tandy from Finterest Cap.

Darshail Tandy: Sir, just wanted to understand some more light on the fundraising part that we are raising and how it will be utilized and what are the plans of the company going forward?

Atul Tantia: So the idea is to raise up to INR175 crores. It will be primarily used to pay some existing working capital debt on the balance sheet. Up to 75% will be used for that and the balance will be used for long-term working capital and other general corporate purpose. The idea is that this will boost the net worth of the company and allow the bidding capacity to also improve, because we are now bidding for larger contracts, which will enable us to get contracts of more than INR1,000 crores each in our name.

Darshail Tandy: Okay. So once this QIP is completed, what would be the debt and what will be the interest that we'd be paying on this?

Atul Tantia: So currently, last year, we paid a finance cost of almost INR31 crores. Post the QIP, we expect the same to come down to below INR20 crores.

Darshail Tandy: Below INR30 crores?

Atul Tantia: 20.

Darshail Tandy: INR20 crores. All right. Okay. And number two would be, sir, on the Ghana facility. The last we followed up was, you were having some issues. So have they resolved, or we will be getting the revenues from this financial year, how it will be?

Atul Tantia: Yes. So we were expecting the advance payment from the customer in our last update on the conference call. That has been -- the swift message of the transfer has already been shared yesterday. So we expect that to hit our bank account sometime today, tomorrow. Once that comes, we will start the factory in the next 1 or 2 months, and we expect revenue to be booked during this financial year from the Ghana factory as well.

Darshail Tandy: All right. And 1 last question on this. So we reiterated our guidance of 20%, 25% growth in this facility as well. And once the debt comes down, so we will be overcommitting -- not overcommitting, but we'll be improving our guidance, or how it's from your side?

Atul Tantia: Yes. So like I said in my opening remarks, the June month has a monthly run rate of more than INR100 crores. So we are reaffirming our guidance of 20% to 25% growth in terms of revenues for this financial year as well. And we expect in the next 3 years to maintain that kind of CAGR as well. In terms of PAT, obviously, with the QIP getting done, the finance costs will come down, like I said. So the PAT will grow disproportionately.

Moderator: The next question is from the line of Parth Kotak from Plus91 Asset Management.

Parth Kotak: I would like to congrats you and your team for another strong quarter. My question is, sir, I think on the QIP basis, you've given a clarification. I just wanted to know the execution period for the INR250 crores of order book that is lying in the monoblock or the Concrete Sleeper.

Atul Tantia: Yes. So that INR250 crores in the Concrete Sleeper segment has also got an execution period of almost 2 years, which will be an average speed of that. We are expecting some new orders also to come in, in this financial year in that business. So we expect to grow that business as well year-on-year.

Parth Kotak: Sure. Also, sir, since reading about the railways expansion in South Africa, are we supplying concrete sleepers directly to the deals where our facilities are placed? Or I think we have been reading there has been significant expansion in Africa [inaudible 0:10:36]. So that is one. Second, on the same line, then do we deal directly with the government, or do we deal with people who [inaudible 0:10:42] the contracts? And correct me if I'm wrong, like shahpurji also probably are doing some contracts in this regard. So we deal with the government entity or with the companies who are taking these projects?

Atul Tantia: So in South Africa, in Namibia, and Ghana as well, we're supplying directly to the government. And so -- even in India. So concrete sleeper as a product, the government is a major buyer for this product. There are some smaller quantities which get delivered to these EPC companies like you mentioned, but they are not very significant amount, less than 10%.

Moderator: The next question is from the line of Shivom Revankar from V. S. Revankar Holdings.

Shivom Revankar: Yes. Atul, firstly, it's wonderful, as always, to see such a good performance all the time. And my questions are 3. First thing is, I wanted to understand regarding the infrastructure business, the concrete sleepers. Have you also considered, like given the metro lines and bullet trains and these kind of advancements happening, so is there a change in the normal concrete sleepers that you manufacture or is that something new that you've not explored yet?

Atul Tantia: So we have supplied some to these metro lines in and around Calcutta, because concrete sleepers being a product which is quite heavy to transport, the factory in India is located near Calcutta, about 150 kilometers from Calcutta. So we have supplied some to the Calcutta Metro, and we have explored that market. It is something that obviously we do set up factories on a project-specific basis if the requirement is good.

For example, in the dedicated corridor, the Eastern dedicated corridor, we had set up 2 factories between Kanpur and Mughalsarai. Those factories have completed the contract and now they have been wound up. So these are project-specific requirements, and you need to be closer to the consumption location, because otherwise the transport cost is quite heavy.

Shivom Revankar: Okay. Okay. And as part of metros, do you also do the prestressed concrete units, those that are used for cable-laid bridges of metros predominantly?

Atul Tantia: Yes. So we are doing a lot of metro work in our Infrastructure segment. We are doing the viaducts and prestressed girder that you're speaking about. So we have done in -- in fact, in Bombay city, not for the metro, but we are doing the prestressed over the Byculla Railway Station, cable-stayed bridge over Byculla Railway Station. We are doing a bridge over Ghatkopar Railway Station and also connecting that to the Eastern Expressway. In Calcutta, we have done for the Calcutta Metro, like I said, in the infrastructure work viaduct as well.

Shivom Revankar: Okay. Perfect. Wonderful. And given that we have such a strong foothold in a few of the African countries. Because that you will obviously have entities there and people and a good grasp over government relations, have you also considered bidding for EPC projects in those countries?

Atul Tantia: So in the past, we have done some contracts in Mozambique for a bridge rehabilitation work in Africa. In South Africa, Namibia and Ghana, honestly, we've not explored. But recently, we have been discussing for some contracts in Namibia. Let's see how it pans out.

Shivom Revankar: All right. Wonderful. Okay. And as part of this institutional replacement that we're talking about, you're going to extend the shareholder base or are the promoters diluting any equity?

Atul Tantia: So as part of the QIP, promoters cannot do an OFS. We'll be increasing the capital base of the company and issuing new shares. It's a primary issue, should add to the share capital and the net worth of the company. Promoters are not diluting anything.

Moderator: The next question is from the line of Parth Kotak from PLUS91 Asset Management.

Parth Kotak: Just a follow-up on the QIP. Will the promoters be participating in the fund raise as well?

Atul Tantia: As per the SEBI mandate, promoters cannot participate. This is an institutional placement only. So it is guided by the SEBI guidelines. It is not a preferential issue to the promoters.

Moderator: The next question is from the line of Bhalchandra Vasant Shinde from Kotak Life.

Bhalchandra Shinde: Sorry, I joined in late. So I don't know whether you have answered the question or not. But after QIP fundraise, overall, our limit will improve. Post that, what kind of potential order inflow we can see? And on current limits, are we restricted over order inflow growth, or how is the case according to you?

Atul Tantia: Sure. So order inflow, we have got almost INR817 crores -- INR812 crores in this financial year, which is a significant number in the first 4 months. We expect the order inflow -- last year, we had got close to INR1,800 crores of new order inflow. We ideally like to maintain 3x our order book. So year, we should close at almost INR3,700-odd crores of order book, INR3,700 crores to INR3,800 crores, which means that for the balance year, we would get almost close to INR1,300 crores of new orders, which is quite an achievement from the existing limits or the existing net worth and existing balance sheet as such.

With the QIP, like I said earlier, we'll be eligible to bid for larger contracts. Our bidding capacity will improve. And given the opportunity, we can see an increase in the order inflow as well. And there will be a lot of leverage available with the promoters in terms of the working capital to improve the execution cycle as well.

Bhalchandra Shinde: Okay. And on the mix, like on the current execution, how we see, execution wise, how will be our execution for this year?

Atul Tantia: So we expect a 22% to 25% growth compared to last year in terms of the execution. So last year, we did revenues of INR1,000-plus crores. So we expect a 20% to 25% increase in this financial year.

Bhalchandra Shinde: But sir, last year, our opening order book was at around INR2,200 crores. And on that, we did around INR1,000 crores kind of a sales. So this year, our opening order book was around INR3,000 crores, right? So on that, we should do at least around INR1,400 crores, INR1,500 crores, right?

Atul Tantia: No, some of the contracts have been recently received. So it really doesn't pan out like that. For example, the NHAI contract in Allahabad has been received only in November. So it's an EPC contract, which requires some time for execution. So the contracts which are new, like the Kona Expressway has been received in June only, the INR550 crore contract. Even the Raniganj Bypass was received in January-February, INR275 crores. So that's why the growth momentum of 25% is

a decent number. Last year, we had a growth of almost 28%. This year, we expect the growth to be also 25-odd percent.

Bhalchandra Shinde: And on the margins front, is there any scope of further improvement? Because earlier we used to do margins in range of around 14%, 15% also we have done some time.

Atul Tantia: So margins this quarter also it has been closer to 14%. We expect the margins to be around the 13% to 14% mark. Obviously, like I said in my opening remarks, with the Ghana factory getting commissioned and revenues getting recognized from there, the margins will improve, because that has a higher margin level. So that will improve the margin as such. And just to clarify, opening order book for last year was INR2,300 crores, not INR2,000 crores. So on INR2,300 crores, we did INR1,000 crores.

Bhalchandra Shinde: Okay. And after QIP, overall, our interest cost should go down, right? So...

Atul Tantia: Yes. So I think you slightly joined late, the interest cost, we expect a reduction of almost INR10 crores as a gross number. So INR31 crores was last year. We expect it to be below INR20 crores post QIP.

Moderator: The next question is from the line of Darshail Tandy from Finterest Cap.

Darshail Tandy: Sir, 1 thing is that as you said that post this QIP, we will be able to bid for larger projects. So larger project does come with a higher margin? Just wanted to understand.

Atul Tantia: No larger project doesn't come with a higher. Margin, I think we have an EBITDA threshold of 12.5% to 13%. That is a good number in this sector, and it obviously doesn't come with a higher margin. In terms of EBITDA, it would be almost the same. Obviously, with the interest cost coming down, the PAT will be higher.

Darshail Tandy: Of course. And sir, what would be the tax guidance for this year, tax rate guidance, because it's quite fluctuating...

Atul Tantia: It's almost 25.5%.

Darshail Tandy: For this year as well?

Atul Tantia: Yes, yes. Might be slightly lower because Ghana, we have some tax incentive available. So a couple of percentage points lower, because that is not a significant, honestly.

Darshail Tandy: Got it. And Ghana will be contributing about INR50 crores, INR60 crores for this financial year? Are you still guiding for INR50 crores, INR60 crores?

Atul Tantia: No. Ghana, this financial year, will not contribute INR50 crores, INR60 crores. It should contribute about INR35-odd crores.

Darshail Tandy: Okay. And for FY '26 would be INR50 crores, INR60 crores, as what you have been guiding?

Atul Tantia: Correct.

- Moderator:** The next question is from the line of Shivom Revankar from V. S. Revankar Holdings.
- Shivom Revankar:** It's Shivom again. After QIP, are the promoter pledges also coming down?
- Atul Tantia:** So the promoter pledges are anyways with the external rating and the balance sheet. The lead bank, SBI, has already recommended to the committee to reduce the pledge. That is a separate process that is going on. And obviously, post QIP, that will further reduce. And the pledge, just to clarify, is purely for the working capital of the company and not for any other lending at the promoter level. So the pledge is just to provide collateral security to the construction bankers of the company.
- Shivom Revankar:** Okay. And the second question was, you mentioned the net interest cost would come down to about INR20 crores. But Atul, like up to 75% of INR175 crores is about INR100 crores, INR110 crores. So with that kind of substantial reduction, why is it still INR20 crores?
- Atul Tantia:** So that INR20 crores includes bank guarantee commission, what you call, interest on mobilization advances and others, as well as bank processing fees. So bank guarantee is a good number. So bank guarantee itself is about close to INR6 crores, INR7 crores in terms of the number on the finance cost, because we have to provide various bank guarantees in performance, secure deposit, et cetera, and big bonds, et cetera. So that forms a part of the finance cost.
- Shivom Revankar:** Okay. And what is the average interest cost at the moment in percentage terms?
- Atul Tantia:** About 10%.
- Moderator:** The next question is from the line of Alok Deora from Motilal Oswal.
- Alok Deora:** Just a couple of questions. First is on the order pipeline. So how is the order pipeline now? I mean, we have done pretty well in this year itself -- I mean, the first half. So how is the pipeline looking like? Because in some sectors like roads, and from NHA side, we have hardly seen any projects coming by? So just some color on that.
- Atul Tantia:** Sure. So in terms of the order pipeline, we have bid for some key contracts. Since they have not been opened, we do not know the outcome. We are also tracking a couple of good contracts, both NHA and Railways, et cetera. We expect the order pipeline to be strong. Obviously, the first quarter was slightly muted on account of the elections and code of conduct that was there. And so new contracts could not be tendered out. Now with the budget exercise also getting completed, we expect ordering activity to again pick up.
- Alok Deora:** Sure. And this year, have we changed our order inflow target, considering that we are already ahead in terms of what we would have thought of. So are we okay to take more projects or we would kind of stick to our target or largely around that?
- Atul Tantia:** So honestly, we are okay to take on more projects as long as they meet our margin thresholds. We don't want to compromise on the margin. We need to have a very disciplined growth strategy. So as long as we meet the margin threshold of 12.5%, 13% in terms of EBITDA, we are okay to take on contracts. We don't want to compromise on that. That has been the policy of the management for last couple of years. And I think that has borne fruit in the last 2 to 3 years, if you see the turnaround

in the performance of the company and the cash flow, et cetera, as well. So we have a strong focus on the cash flow. Our cash flow to EBITDA conversion last year has also been north of 100%. And that is, again, a very steady focus of the management to have a strong cash flow and a good margin threshold as well.

Alok Deora: Just last question. So you mentioned that the bidding capacity will kind of increase. So what I understand is also in terms of the size of the contracts which you're going to bid for, that would also go up. So could you just indicate up to what quantum of projects we can take a single contract right now. And after the raise, how that could change?

Atul Tantia: Sure. So right now, we can take up to INR1,000 crores. I think that post the raise, with the net worth increasing, the bidding capacity also increasing, we would be eligible to about INR1,300 crores, INR1,400 crores, close to maybe INR1,500 crores, depending on the department level, that is NHAI, MORTH. Railways has a different formula.

So I would hazard a guess, but between INR1,200 crores to INR1,400 would be the bump up in terms of a single contract. Right now, we have bid for contracts of INR900 crores to INR1,000 crores, and we're eligible to get up to INR1,000 crores in our own name.

Moderator: The next question is from the line of Mulesh Savla from Shah & Savla.

Mulesh Savla: Continuing with the previous question, we have a good order book as of now. So what is the executable timeline for that order? And can we increase our run rate of INR100 crores about a month by increasing the bandwidth and other things?

Atul Tantia: Sure. So the execution cycle for this order book of about INR3,700 crores is about 2, 2.5 years. We are adding on some senior management people as well as middle management as well to improve the bandwidth like you're suggesting. The management is very conscious of that. So we are taking a couple of key people on board as well, which will improve our execution capabilities.

We have anyways a good team which is very experienced in doing such contracts. We have SAP deployed across all project sites, which gives management good control on the business and the performance and the execution cycle as such and good financial control also. And a good set of auditors, which kind of monitor and ensure both internal as well as strategy orders, which monitor the performance of the company and the contracts that are there and report to the audit committee. The Audit committee comprises 100% independent members, which guide the Board and kind of advises the Board in terms of any issues that may be flagged by the auditors or by any other external agencies.

Mulesh Savla: So that's good to hear. So can we expect a top line of around INR1,500 crores to INR2,000 crores this year?

Atul Tantia: No, no. So this year, like I said, we have expected about 25% order growth. That I think is a good number to have. Means, obviously, like I said, in the next 3 years, we should have maintain that kind of CAGR in terms of growth. So INR2,000 crores is the target that we should hit in the next 3 years rather than this year.

Moderator: Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Atul Tantia: Thank you, everyone, for your questions. We hope that we've been able to suitably address most of them. In case you have any further queries, please get in touch with us directly or with Stellar IR, our Investor Relations Advisers. Thank you, and have a good day.

Moderator: Thank you. On behalf of GPT Infra, that concludes this conference. Thank you for joining us. You may now disconnect your lines.