GPTINFRA/CS/SE/2024-25

May 23, 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 May 21, 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 and further to our letter dated May 21, 2024, please find enclosed herewith transcript of Conference Call held on Tuesday, 24th May, 2024.

Kindly take the aforesaid information on record and oblige.

Thanking you,

Yours sincerely,

For **GPT Infraprojects Limited,**

MOHIT ARORA
Digitally signed by MOHIT ARORA
Date: 2024.05.23 17:11:36 +05'30'

Mohit Arora
Company Secretary

Encl. – As Above

“GPT Infraprojects Limited

Q4 & FY’24 Earnings Conference Call”

May 21, 2024

MANAGEMENT: **MR. ATUL TANTIA – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER - GPT INFRAPROJECTS LIMITED**
STELLAR IR - INVESTOR RELATIONS ADVISORS – GPT INFRAPROJECTS LIMITED

Moderator Ladies and gentlemen, good day, and welcome to GPT Infraprojects Limited Q4 and 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. Thank you, and over to you, sir.

Atul Tantia: Thank you. Good morning, everyone, and a warm welcome to the GPT Infraprojects Limited Earnings Conference Call for the Fourth Quarter and Year Ended March 31, 2024. I hope you all had the opportunity to review the financials as well as the presentation uploaded on the website of the Stock Exchanges as well as our website over the weekend.

I will briefly cover the key highlights for the quarter. Joining us on the call today is Stellar IR, our Investor Relations Advisors. We are pleased to report robust growth in our revenues surpassing the milestone mark of Rs 1,000 Crores for the year as projected in our previous earnings calls as well. Thus, we have achieved a growth rate of almost 27% in revenues compared to the previous year. This growth trajectory is underpinned by our focus on the infrastructure segment, which continues to be the backbone of our business, accounting for 91% of our total revenues.

Our standalone revenues for the fourth quarter amounted to Rs 294 Crores, marking an increase of 13% year-on-year compared to Rs 260 Crores last year. On a consolidated basis, revenues for the quarter stood at Rs 295 Crores, reflecting a growth of 10% year-on-year from Rs 268 Crores last year.

For the year ended 31 March 2024, the total standalone income stood at Rs 1,010 Crores, representing a significant 26% year-on-year increase from Rs 797 Crores last year. Similarly, on a consolidated basis, the total income of Rs 1025 Crores, representing a significant jump of 27% from Rs 813 Crores last year.

Our cash flow from operations to EBITDA conversion continues to be strong and stands at an industry-leading 103% conversion, and the revenue projections for both stand-alone and consolidated numbers have met the target of achieving 25% growth in revenue this year as projected by the management.

In terms of EBITDA, our stand-alone EBITDA for the quarter stood at Rs 37 Crores compared to Rs 28 Crores last year, representing a growth of 29%. EBITDA for the year on a stand-alone basis stood at Rs 128 Crores compared to Rs 96 Crores last year. That is a growth of 33%. In terms of consolidated EBITDA, the same for the quarter came in at Rs 36 Crores compared to Rs 26 Crores last year, representing a growth of 37%. EBITDA for the year on a consolidated basis stood at Rs 128 Crores compared to Rs 92 Crores last year, representing a growth of 39%.

There has been an exceptional growth in profit after taxes due to the operating leverage kicking in, with consolidated PAT for the fourth quarter standing at Rs 16.2 Crores. That is a growth of 55.7% from last year. For the entire year, PAT increased by 84.2% to Rs 57.8 Crores on a consolidated basis compared to RS 31.4 Crores last year. Standalone PAT for Q4 was Rs 15 Crores, rising by 67% from Rs 9 Crores last year. For the full year, PAT has grown by 80% compared to last year.

We are confident of maintaining long-term EBITDA margin at 12% to 13% from the operations, which we have guided historically. The company has been able to delever the balance sheet with the receipt of arbitration money from NHAI and IRCON, and this has led to a reduction in finance costs, which was albeit for just part of the year.

Going forward, we expect the interest cost savings to be more significant, thus leading to higher profitability. This has led to both ROE and ROCE being north of 20% for the year, and we expect to maintain the same going forward as well. The key factors contributing to this return are cost optimization strategies and lower overhead costs. We remain mindful of the contracts we're going to take, ensuring that each decision aligns with our objectives.

In terms of shareholder initiatives, the Board has recommended has already announced a bonus issue of equity shares in the proportion of 1:1 by capitalizing the reserves of the company. The company has also declared a third interim dividend of Re. 1 per share, that is 10%. The total dividend for the year will be Rs 3 per share, that is 30%.

Now coming to the balance sheet. The management has been able to reduce the contract assets by almost 30% despite the increase in volume of business, thus evidencing more optimized balance sheet, which is reflecting in the return ratios. We have been able to keep the working capital days also closer to double digits, which will be the long-term target as well; and also reduce our bank borrowings, which are utilized to the extent of almost 80%, thus providing comfortable equity position for the management.

As you are aware, we have already informed the stock exchanges earlier that the external rating agency, CRISIL, has upgraded the external rating -- or credit rating of the company in February 2024 from BBB+ to A-. This has led to the consortium members reducing the interest rates for the company as well.

In terms of the segments, the infrastructure segment has increased revenues by almost 30% to Rs 925 Crores for the year and contributes almost 91% of our revenues. Key contracts in the segment have continued to perform well with contracts like Mathura, Jhansi, Prayagaraj, Ghazipur, etcetera, driving a major part of the revenues.

The Sleeper segment has generated revenue of Rs 93 Crores for the year, driven majority by the outstanding performance of the domestic business and also some contribution from the South African subsidiary. Going forward, we expect the growth to be sharper here as the technical approval of the Ghana factory has been received, and we expect it will start booking revenues in the Second quarter of this financial year.

With a thriving order book, improving cash flows 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 strong foundation for our growth trajectory.

As of April 1, 2024, we have a net unexecuted order book of almost Rs 3,099 Crores, with order inflow for the year being Rs 1,841 Crores amounting to almost 3.02x our FY'24 revenues, thus providing strong visibility to the management. In addition, we are L1 in almost Rs 700 Crores of new orders, which we expect to be finalized post the Code of Conduct of the general elections being over. Going forward, we expect to maintain long-term book-to-bill ratio of almost 3x. As everyone is aware, India's infrastructure sector continued to be the primary driver of the company's economic growth, with a staggering investment of Rs 1.7 Trillion planned over the next 5 to 7 years.

Even the railway is planning new dedicated trade corridors, which will provide us opportunity both in the infrastructure as well as Sleeper segment. The national infrastructure pipeline with a sanctioned amount of Rs 102 lakh Crores lays a blueprint for the transformative development across key sectors such as energy, transportation and urban infrastructure. This ambitious program is not just a testament to India's commitment to robust infrastructure but also a beacon for potential investments and opportunity for business like ours.

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 receivables management. This is all from my side. Thank you, and we look forward to addressing any questions that you might have.

I'll request the moderator to open the floor for any questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Parth Kotak from Alpha Plus Capital. Please go ahead.

Parth Kotak: Firstly, congratulations to the management and the execution team for a wonderful set of numbers. Sir, I just have a couple of questions. One, our debt is currently at Rs 190 Crores, is this the normalized level of debt? And what kind of interest expense can we foresee for the year to come?

Atul Tantia: Sure. So thank you for your best wishes. In terms of the debt position, you're right, it is at almost Rs 186 Crores. Like I said in my opening remarks, we expect to further reduce the debt from the strong cash flow that the management has. Last year, the interest cost has been about Rs 32-odd Crores. We expect the interest cost to further go down as I said because the arbitration money was only used in the February and March months to repay the banks. So we expect the interest cost to be further reduced by Rs 5 Crores to Rs 6 Crores going forward as well.

Parth Kotak: Okay. So that's very helpful. Secondly, sir, on the concrete sleeper division our order book currently stands at Rs 223 Crores. What is the execution period for this order book? And to add to the same question at peak capacity what kind of revenue can we generate from this segment?

Atul Tantia: So the concrete sleeper segment has an outstanding order book of Rs 222 Crores that is to be executed over the next 1.5 years. At the peak this segment can generate revenues of close to Rs 250 Crores.

Parth Kotak: Perfect sir. Thank you so much. If I have further questions I will join back in the queue.

Atul Tantia: Thank you.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please proceed.

Darshil Jhaveri: Good sir and thank you so much for taking my question. Firstly, sir, congratulations on a great set of results. I hope I'm audible.

Atul Tantia: Yes, you are. Please go ahead.

Darshil Jhaveri: Sir, currently, just wanted to ask due to elections a lot of orders would be pending. So what kind of a bid pipeline do we have sir, currently?

Atul Tantia: So like I said in my opening remarks we have a bid pipeline of -- we are L1 in almost Rs 700 Crores of new orders which we expect to be awarded up post elections getting over.

Darshil Jhaveri: Okay. But other than these there will be some awards that we've applied for and the tender will be opened later on, sir.

Atul Tantia: That's a continuous process. We can't comment on orders wherein we are not L1.

Darshil Jhaveri: Okay. Perfect sir, Sir, with regards to our revenue guidance what kind of revenue growth can we expect in FY'25, can we expect a growth of 20% – 25%?

Atul Tantia: We expect to maintain the momentum of revenue growth of 20% – 22% going forward as well for the next 3 years.

Darshil Jhaveri: Okay. Perfect sir. And I just wanted to know like in terms of demand scenario everything looks very cool, but any other kind of risk that you see maybe post election this -- or any kind of factor that can impact us?

Atul Tantia: So we work with mostly -- I should not say mostly, but 100% government contracts. Obviously, this is subject to government having a focus on the infrastructure sector which we don't think that the focus will be different. So that is one of the major risks that always will be there. If the government's focus on infrastructure deviates, then obviously the pipeline will shrink.

Darshil Jhaveri: Fair enough sir perfect. That’s it from my side. Thank you so much sir. All the best.

Moderator: Thank you. Next question is from the line of Darshin Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Yes. Really sorry if I'm asking a question if it is already answered. I joined a bit late. Sir, a question regarding the last quarter that we had a conversation. You said that you will be growing at 20% on a Y-o-Y basis in the last quarter and somewhere around Rs 310 – Rs 312 Crores and we have got around 13% of the growth in this Y-o-Y quarter. So your comments on this was it an execution issue or what was it?

Atul Tantia: So we have been -- in terms of the -- in December quarter we have achieved revenues of almost Rs 296 Crores. We had projected Rs 310 Crores. We have also -- in terms of invoicing to the customers and collections we have invoiced more than Rs 350 Crores, but we have been able to collect all the unbilled revenue as well.

So that's why I said the contract assets have come down by 30%. So if you see the contract assets which were at a peak of almost Rs 295 Crores standing at almost Rs 210 Crores - Rs 215 Crores right now. So that has led to a huge unwinding of the contract assets which the reported revenues which gets knocked off from the reported revenues.

Darshil Pandya: So, do we expect this to get in the next quarter?

Atul Tantia: So, this is a continuous process. We obviously, further liquidation of the unbilled revenue may not happen. This is something that we should maintain at, and we expect to maintain the growth momentum of 20% Year-on-Year going forward as well.

Darshil Pandya: Correct. And the second question will be on the interest part. What is the interest cost for this year as we are aggressively putting up the debt now?

Atul Tantia: So, I think I answered in the previous question. Maybe you joined late. We expect the interest cost in this year to be almost Rs 25 Crores – Rs 26 Crores.

Darshil Pandya: Rs 25 - Rs 26 Crores. And last question, on the Ghana facility, is it operational now? And have you started up, like from this quarter, will we see, will we be seeing the numbers from this quarter onwards? Or will we see delay?

Atul Tantia: So, the Ghana factory, we see the technical approval from the University of Munich. We expect the company, the subsidiary to start booking revenue in the second quarter of this financial year.

Darshil Pandya: Second quarter. So, what was the issue in the first quarter? First quarter, as well, we got the certification back.

Atul Tantia: Yes. So, after the certification, the -- then the railways are also approved, and they are supposed to make some payments. And then the raw materials we have already ordered, so that will take some time. It's a country which doesn't produce all its raw material and steel. So, that takes one and half, two months to come from the various places, and then we can start the production and building to the customers.

Darshil Pandya: Got it. All right, sir. Thank you, so much and really great to know you are rewarding the shareholders as well and I hope this momentum continues. Thank you.

Atul Tantia: Thank you.

Moderator: Thank you. Next question is from the line of Jay from Dolat Capital. Please go ahead. Jay your line is unmuted. Please go ahead.

Jay: Yes. Hi, sir. Many congrats on the good set of numbers. Sir, I just, sir, going through your presentation. And there was a page [Inaudible 17:08] on the key customers where you have mentioned power drillers…

Atul Tantia: Sorry, I can't hear anything.

Jay: Yes, sir. So, my question was on you have key customers for power segment as well. Can you please highlight what sort of projects or what sort of upcoming projects you are planning to go into power sector or you have this currently in your pipeline?

Atul Tantia: Sure. So we have done some work for Power Grid and BHEL earlier. Right now, in the order book, we don't have any contracts with them. These were contracts for some challenging foundations for the power transmission works as well as the HVDC terminal in Agra for BHEL.

Jay: Okay, sir. And do you further plan to build for any such projects in future?

Atul Tantia: Obviously, if we are meeting our threshold margin of EBITDA of 13%, we can bid for certain of these contracts. We are qualified to bid for it. This is our credentials.

Jay: Okay. Thank you, sir. Best luck for the future. All the best.

Atul Tantia: Thank you.

Moderator: Thank you. Next question is from the line of Axay Shah from Kriis PMS. Please go ahead.

Axay Shah: Congratulations on good set of numbers, sir. Sir, I want to understand that seeing momentum in railway infrastructure, many road infrastructure companies are also diversifying in railway infrastructure. So, is it impacting our EBITDA margin or growth? I want to understand competitive intensity in the business.

Atul Tantia: So, I think that competition is always welcome, and it's always good. We have a very strict discipline in terms of maintaining our EBITDA margin. Our EBITDA margin is in the range of 12.5% - 13%, and we will be able to maintain that threshold. Given the increase in the volume of business and the opportunities available even if more people do enter the field, there is no challenge in terms of new contracts that can be procured.

So, that is not affecting our inflow of orders. Like I said, we are at an all-time high in terms of new orders that we procured last year of Rs 1,840 Crores. We are currently also involved in almost Rs 700 Crores of new orders. So, this year also, we expect the momentum to be maintained.

Axay Shah: Okay. Thank you, so much.

Moderator: Thank you. Next question is from the line of Sameera Midha, an individual investor.

Sameera Midha: Thanks for the opportunity, but my query has been answered. Thank you.

Moderator: Next question is from the line of Bhalchandra Shinde from Kotak Life.

Bhalchandra Shinde: Congrats, sir, for good set of results. Sir, I would like to know on the cash flow front, our cash flow to EBITDA relatively, if we compare to FY '23 has been slightly lower. So -- and we have been actually relatively maintaining a good operating cash flow generation versus EBITDA, that is FY '23 slightly was on the upper side. But even after receiving NHAI Vivaad Se Vishwas money and relatively operating cash flow has been slightly lower. Any specific reason on that?

Atul Tantia: The management is mindful of it. The management is also mindful of the fact that a lot of the old receivables were received. And so we have been also liquidating some of the trade payables as well. So we believe that we should also be mindful of all the stakeholders who are associated with the company. So supplier, vendor payments also, we have brought down to more comfortable levels. So if you see last year, as a number, trade payables on a stand-alone basis increased by Rs 61 Crores. This year, it has decreased by almost Rs 10 Crores. So that Rs 70 Crores delta is coming from the trade payable number only.

Bhalchandra Shinde: Okay. But...

Atul Tantia: Had we not done -- sorry, go ahead.

Bhalchandra Shinde: Yes. What will be the reasonable payable days one can assume?

Atul Tantia: So the idea is to maintain a reasonable payable day of almost 2 months so that we get better pricing from the suppliers as well as better -- they also want to work with us. So the attrition with the supplier is also lower.

Moderator: Next question is from the line of Shivom Revankar from VS Revankar Holdings

Shivom Revankar: Atul, firstly, many congratulations on a wonderful performance that's been going around. My only question was that I think last year, we became eligible to bid for projects up to Rs 1,000 Crores. So how far long are we from bidding for projects above that range?

Atul Tantia: So we are already bidding for projects upto Rs 900 Crores – Rs 1000 Crores. And for the largest contract that we got last year was Rs 740 Crores from NHAI. We have not been able to crack a contract which is more than Rs 1,000 Crores yet, but we are continuously bidding, for it is a continuous process. The management has a disciplined threshold of EBITDA of 13%. And sometimes, you need to be mindful -- be disciplined in that and hopefully the opportunities will turn up wherein we are able to meet our preferred margins of EBITDA.

Shivom Revankar: Okay. And in case there's a larger opportunity like that, how would we fund that? Are you looking at any sort of external strategic investments? Or is it more through accruals?

Atul Tantia: So like I've said earlier, our cash flow-to-EBITDA conversion continues to be quite strong. It's almost at 103%, which is an industry-leading number. So the internal approach is quite strong on the balance sheet. The balance sheet is also not very leveraged. Our debt-to-EBITDA -- debt-to-equity is less than 0.6x. For infra company, that is quite deleveraged balance sheet. And we have enough and more opportunities to fund the growth. The banks and the consumption lenders are quite supportive given the performance of the company and the execution prowess of the management.

Shivom Revankar: Right. Okay. Yes. Finally, I'm aware that we are pretty strong as an EPC contractor. Do you also have eyes on sort of playing around the design and consultancy area because obviously, your engineering team must be strong? So is that an avenue that you've been exploring? Or it is to be in the contractor side?

Atul Tantia: So we have an in-house design team, which does design and engineering for our own projects. We don't do it for other external customers. Obviously, there is a conflict of interest if we start doing for other customers because other customers may not want to give it to us because they would want independent design consultants and not give it to their competitors per se. So that is always a challenge. I don't think I can think of any EPC company which has design going and that services other clients.

Moderator: Thank you. Next question is from the line of Shubham Shelar from IDBI Capital. Please go ahead.

Shubham Shelar: Sir, what percentage of our -- the Rs 1,000 Crores revenue that we did that's coming from outside India?

Atul Tantia: It's only 2%-odd percent currently, about Rs 20-odd Crores last year. We expect this year to be much stronger to be almost 7% – 8%.

Shubham Shelar: And that is primarily the product business? Or we are doing EPC also?

Atul Tantia: Yes, we don't -- no, we don't do EPC outside the country.

Shubham Shelar: Okay. And the difference between stand-alone and consol is primarily the international revenue? That's how to look?

Atul Tantia: Yes. Correct.

Shubham Shelar: Okay. And between the 2 segments, product and the infra-EPC, how the EBITDA margin varies between them, so between these two?

Atul Tantia: It's almost comparable at 13%.

Shubham Shelar: Okay. And one last thing. In terms of our bank limits, you did mention that something like 80% is utilized. So can you give some -- between -- I mean like bank limit is cash and noncash. Is it the same number? Or it's a different number? Just trying to understand like -- I mean, like limits are probably any impact can be seen in terms of bidding opportunity. Just I'm trying to understand that.

Atul Tantia: So in terms of bidding opportunities, we have the flexibility of also using these insurance surety bonds as well. The government has allowed most of the government departments nowadays except these surety bonds, like NHAI, MORTH, etc. So in case there is a challenge with the bank and the limits that we have momentarily, we can always use insurance surety bonds. We have used it for a couple of contracts as well earlier. So we have the relationship with these insurance companies as well.

Shubham Shelar: Okay. Sir, just maybe a basic one. So how exactly it differs between the BG limits and insurance surety bond? And any limits that is there which probably insurance company looks? Or is purely a fee-based work that they do?

Atul Tantia: It's a fee-based work. Obviously, they do their own reinsurance with the various global reinsurance peers and we look at the viability of the contract as well as the cash flows, et cetera. And then it's a much quicker process to get it sanctioned compared to a bank's sanction taking almost a month's time. This happens over a week or less than a week.

Shubham Shelar: Okay. But then does this require any sort of -- I mean, they look at our fixed assets or anything in relation to that, any mortgage required in the insurance surety bond? Or something...

Atul Tantia: They require some sort of FD backed margin as well as some personal guarantee from the promoters.

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

Atul Tantia: Thank you, everyone, for your questions. I hope we've been able to address it suitably. In case you have any further questions, do please get in touch with Stellar IR or directly with us. Thank you and have a good day.

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