GPT group

GPT Infraprojects Limited

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GPTINFRA/CS/SE/2024-25 November 16, 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 November 13, 2024 - Call Transcript

Ref.: Scrip Code - 533761, Scrip ID - 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 **Wednesday, November 13, 2024**. Kindly take the aforesaid information on record and oblige.

Thanking you,

Yours sincerely,

For **GPT Infraprojects Limited**

ATUL TANTIA
Digitally signed by ATUL TANTIA
Date: 2024.11.16 14:24:09 +05'30'

Atul Tantia
Executive Director & CFO
DIN:00001238

Encl: As above

GPT INFRAPROJECTS LIMITED

"GPT Infraprojects Limited Q2 & H1 FY25 Earnings Conference Call"

November 13, 2024

GPT INFRAPROJECTS LIMITED

STELLAR

CHORUS CALL

MANAGEMENT: MR. ATUL TANTIA – GROUP 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 Q2 and H1 FY '25 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 touch-tone phone.

Before we begin, I would like to say that this conference call may contain forward-looking statements about the company, which are based completely on the company's beliefs, opinions and expectations as of today. The statements made in today's call are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. The company also undertakes no obligation to update any forward-looking statements to reflect development that occur after the statement is made.

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

Atul Tantia: Good morning, everyone, and a warm welcome to the GPT Infraprojects Limited Second Quarter ended September 30, 2024, Earnings Conference Call. 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 yesterday. I will briefly cover the key highlights for the quarter. Joining us on the call today is also Stellar IR, our Investor Relations Advisors.

Some of the key significant milestones during the quarter and the half year ended September 30, 2024.

We successfully completed a fundraise through a QIP of Rs. 175 Crores on August 29, 2024. This was done within 55 days of the Board approval by placement of shares to marquee investors, showing continuous interest in the company. The issue saw a demand of almost 2.5x from the investors.

I want to extend my heartfelt thanks to our BRLMs, Motilal Oswal, Legal Counsels, Crawford Bayley, the stock exchanges and the investors who placed trust in us and contributed to the success of our QIP. I would also like to thank the entire team at GPT, who worked day and night to ensure the success of the QIP within 2 months.

In the first week of July 2024, we completed our third bonus issue of 1:1 in the last 7 years, thus strengthening the capital base of the company and providing liquidity to the investors. As for the execution cycle, a continued execution of the order book witnessed a strong growth in top line numbers while also maintaining the EBITDA margin above our hurdle rate of 13%, and we are on track to achieve a 20% to 25% growth for the full year.

We have substantially reduced our debt by almost Rs. 95 Crores in this quarter. The first interim dividend of FY 24-25 of Rs. 1 per share has also been announced by the Board thus rewarding the shareholders for the performance of the company, which is also in line with the dividend policy of the company.

The net proceeds of Rs. 169.6 Crores from the QIP have been fully utilized as per the shareholder approval without any deviations. A substantial portion of which was used to repay the outstanding borrowings, while the remaining portion has been used for general corporate purpose. This capital infusion has had a profound impact on our financial position. The company has been able to repay a major of its term loan and also free up its working capital limits, which will lead to the debt position reducing substantially.

Our external credit rating is also on review by CRISIL, and we expect a positive movement. In addition, the consortium banks have agreed to part release of the pledge of the shares of the promoters for which documentation is under process. The reduction in debt will lead to substantial savings in the finance costs going forward and thus translate to higher margins and cash flows. With a strengthened balance sheet, leading to an increase in the net worth of the company, we are now eligible to bid for projects above Rs. 1,500 Crores.

Now getting into the details of our financial performance for the second quarter and the second half year ended for the fiscal 2025. Our revenues for Q2 FY '25 were at Rs. 280 Crores on a stand-alone basis, which compared to Rs. 225 Crores last year, representing a growth of 27% Y-o-Y. On a consolidated basis, the revenues stood at Rs. 288 Crores compared to Rs. 234 Crores for the last year, representing a growth of 23% Y-o-Y.

On a half year basis, revenue was at Rs. 517 Crores on a stand-alone basis, which were higher by 13.4% Y-o-Y as compared to Rs. 456 Crores last year. And on a consolidated basis, the revenues stood at Rs. 529 Crores compared to Rs. 470 Crores last year, with a growth of 12.7% Y-o-Y.

In both stand-alone and consolidated numbers, we have set a targeted growth of 20% to 25% for the current fiscal year. This growth will be majorly driven by significant execution in Infrastructure segment, which accounts for almost 90% of our revenues.

Our stand-alone EBITDA for the quarter ended September 30, 2024, stood at Rs. 40 Crores compared to Rs. 27 Crores, representing a growth of 47% Y-o-Y. And EBITDA for the half year was Rs. 74 Crores compared to Rs. 60 Crores last year. That is a growth of 25%.

The consolidated EBITDA was at Rs. 33 Crores for the quarter compared to Rs. 32 Crores last year, representing a growth of 2.8% and EBITDA for the half year stood at Rs 69 Crores on a consolidated basis compared to Rs. 62 Crores on a consolidated level last year, representing a growth of 7.9%.

We are very confident of maintaining our long-term EBITDA margin at 13%, which we have also done historically from the operations. With the improvement in revenue, the operational efficiencies have helped us ensure long-term EBITDA, and we expect the same to maintain going forward as well.

There has been an exceptional growth in profit after taxes. With consolidated PAT for Q2 at Rs. 18 Crores, that is a growth of 30% compared to Rs. 14 Crores last year. Standalone PAT was at Rs. 22 Crores, which is a growth of 90% from Rs. 11 Crores last year.

In terms of our segmental performance, the infrastructure segment continues to be the backbone of our business and reported revenue of Rs. 490 Crores for the half year ended September 30, 2024. This segment continues to be contributes almost 93% of our total revenues for the period. The key contracts for the infrastructure segment continue to perform well with contracts like NHAI Ganga Bridge Prayagraj, Mathura-Jhansi, Majerhat and Byculla driving a major part of our revenues. The order backlog in this segment is Rs. 3,372 Crores. The Sleeper segment has an order backlog of Rs. 238 Crores and is driven majorly by the performance of the domestic business in Panagarh also contribution of the South African subsidiary.

In terms of the Ghana factory, we received the advance from the customer. And the raw materials have already been ordered. We expect to start the production in December 2024.

With a thriving order book and reduce debt position, we are well positioned to navigate the dynamic 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 the foundation for our future growth trajectory.

In terms of our order book as of September 30, 2024, we have a net outstanding order book of Rs. 3,610 Crores, which represents almost 3.6x our FY '24 revenues, providing a strong visibility to the investors and to the management. The order inflow during the year was Rs. 1,040 Crores.

That is all from my side. Thank you, and I look forward to addressing any questions that you might have with respect to our financial performance and future prospects.

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

Moderator: Thank you very much, sir. Our first question is from the line of Parth Kotak from Plus91 Asset Management.

Parth Kotak: Congratulations for a decent set of number for you and your teams. Sir, I have 2 questions, one on concrete Sleeper sales and Ghana factory operations. The year-over-year sales from concrete Sleeper segment have remained flat while you mentioned in the opening comments that the Ghana factory will be operational from December. Could you provide an update on the current production status and contribution from the Ghana Factory to Concrete Sleeper segment? Has there been some challenges, which we have encountered because I think from our last conversation, I remember we were expecting a decent increase in sales from this segment for the current year.

Atul Tantia: Sure. So this year, we expect this segment to do almost Rs. 140 Crores of revenue, which will be a jump from Rs. 95 Crores done last year, which is a significant jump in terms of the Ghana factory, like I said in my opening remarks, the December, we will start the production there and the revenue will start booking in Q4. We expect Rs. 25-odd Crores revenue inflow from Ghana in Q4, Rs. 25 Crores to Rs. 30 Crores.

Parth Kotak: Okay. Perfect. That's helpful. Sir, second question is on the bid pipeline and capital utilization. Following the recent capital raise GPT Infra is now eligible to bid for larger projects. Could you share insights into the current bid pipeline, particularly regarding any larger projects that the company has pursued post the capital raise? Additionally, have there been any new orders secured in the last quarter? And how does the company plan to leverage its enhanced financial capacity to drive future growth?

Atul Tantia: So in terms of order bidding, we are continuously biding for new orders. We have bid for some large contracts, Rs. 1,000 Crores plus each as well. There are some contracts where even the prices have not been opened. So we're not show what is the exact status. Once that is obviously done, we will announce it to the larger investor community. We -- post the QIP, obviously, there is a lot of depth available to management to do much more faster execution as well as to procure more contracts.

Like I said in my opening remarks, with the improvement of the network, we are now eligible to bid for contracts up to Rs. 1,500 Crores. This will allow us to address a much larger piece of the, what do you call, infrastructure investment in the country. We are -- the balance sheet being strengthened, obviously, will lead to much more better cash flows and savings on the interest cost as well.

Moderator: Our next question is from the line of Kashvi from JRK Stock Broking.

Kashvi: I would like to congratulate the management on a great set of numbers. So my first question is that the consolidated order book was around Rs. 3,670 Crores as on the previous quarter. However, we have seen that the order book as on this date state stands at Rs. 3,610 Crores. So are we seeing any slowdown in order inflows, especially as government spending has slowed down?

Atul Tantia: So in this quarter, we have done almost Rs. 290 Crores of execution. And we would have -- we have got contracts of almost Rs. 240-odd Crores. So that is why the net order book has come down by almost Rs. 60-odd Crores. We have got 2 or 3 large contracts also in this quarter. It is not as if nothing has come through in this quarter. For the full year, like I said, we have got Rs. 1,000-plus Crores of new orders. We expect to hit our number of Rs. 2,000 Crores new order inflows for the year in the balance of 4.5 months that is there for the year.

Kashvi: Okay. And sir, my next question would be, sir, the consolidated EBITDA margin fell from 13.8% to 11.5%, almost 230 basis points. Going forward, do we have any chance in recovery of the EBITDA margin?

Atul Tantia: So the consolidated margin has fallen mostly on a consolidated basis in terms of the fluctuation in Ghana currency. The Ghana currency is quite volatile. Having said that, we are -- our contract in Ghana in euros, the payments to customers also in euros. So once the factory starts, we don't see much of a challenge in that as well. It's not a cash loss, it is a mark-to-market loss, in terms of currency.

Moderator: Our next question is from the line of Shivom Revankar from VS Revankar Holdings.

Shivom Revankar: Congratulations, Atul. Great, great quarter. My question was that now that with enhanced financial capacity and ability to bid for larger projects, you mentioned you bid for couple of thousand plus core projects. So what happens in case you like planned project somewhere around Rs. 1,300 Crores to Rs. 1,500 Crores of a single order. Does that mean we will stop bidding for more projects? Or would there be any alternative arrangements in place to expand the capacity, the bandwidth?

Atul Tantia: So honestly, we have enough bandwidth to build some more projects. Why we do set the target is of 2,000 Crores is that we would always like to have a bid pipeline on an order book outstanding of 3 to 3.5x our trailing 12-month numbers. With 2,000 Crores, that number can be achieved. If the new contract that we're bidding for do meet our hurdle rate of 13% EBITDA, we would be happy to add on more contracts and take it up to Rs. 2,500 Crores, Rs. 2,800 Crores as well. We are not stopping in terms of bidding or bidding pipeline anytime in the near future.

Shivom Revankar: Yes. Okay. Okay. That's great. And from the previous questions asked by the last 2 gentlemen, the factories that we have in the Africa region, what are the payment arrangements like then? Is it like do we get paid in like dollar terms? Or is it in local currency, and that's why we face the currency translation losses?

Atul Tantia: So South Africa and Namibia, we get paid in what you call in South African Rand, and Ghana we get paid in euros South Africa, the currency is not that volatile. Ghana, since we are making the balance sheet in the local currency as per the laws in Ghana, there's a currency translation loss, which is the mark-to-market cost. But there is no cash loss because all our bank accounts also in the euros and payments receipts as well as expenditures also in euros.

Moderator: Our next question is from the line of Bhavik, who's an Individual Investor.

Bhavik: Yes. So congratulations for a really good set of numbers. Sir, you already answered on the EBITDA margin going forward. I also wanted you to understand whether in October and November of this financial year, are we doing a monthly run rate of over Rs. 100 Crores?

Atul Tantia: Yes. We did. We did about Rs. 100 Crores in a monsoon quarter for a construction company, which is the second quarter, we did about Rs. 280 Crores, Rs. 285 Crores, which is almost Rs. 100 Crores kind of run rate.

Bhavik: Correct. So we are maintaining a similar run rate even in this quarter, right, for this financial year.

Atul Tantia: Slightly higher.

Bhavik: Okay, okay. And sir, regarding the finance cost, since we have repaid Rs. 95 Crores in debt, what is the finance cost that we can expect for Q3 and Q4?

Atul Tantia: About Rs. 6 Crores.

Bhavik: Okay. So Rs. 3 Crores per quarter roughly around. Okay. And sir, in the previous con call, you had given...

Atul Tantia: Just to clarify, about Rs. 6 Crores per quarter, I'm saying -- I'm not saying Rs. 6 Crores in total.

Bhavik: Okay. Okay. And sir, we actually paid down the debt. So the debt comes -- so the finance cost comes down by only Rs. 2 Crores per quarter?

Atul Tantia: The finance costs will come down by slightly more, but there are a lot of new equipment that we are taking in terms of for the new contracts. So there'll be some financing required for that as well.

Bhavik: Okay. And sir, my last question is for this year, you have guided for a 45% profit growth. So are we like guiding the same for this financial year?

Atul Tantia: Yes.

Moderator: Our next question is from the line of Nishant Gupta from Minerva Global Capital.

Nishant Gupta: I have 2 broad-based questions to you. One is, what is your expectation or what is the vision to take this company forward, let's say, next 2-3 years in terms of revenue, sir? What is your long-term vision?

Atul Tantia: So we should -- the target is to double the revenues to Rs. 2,000 Crores in the next 3 years. So last year, we did revenue of almost Rs. 1,000 Crores plus. And by FY '27, we should have a number of Rs. 2,000 Crores.

Nishant Gupta: Maintaining the same EBITDA margins, right, sir, around 13% - 14%.

Atul Tantia: 13%, yes.

Nishant Gupta: Okay. So second question is a bit broad. From a -- the company has been very well. I mean you are clocking numbers; you also did a fund raise at around Rs. 175 would be the share. Any particular reason why the Street is not valuing this company in a way the company is clocking the growth? I know you are accountable to the company and the business. But any idea around the market, what is happening around that?

Atul Tantia: I cannot and do not comment on the market.

Moderator: Our next question is from the line of Ankit Shah, who's an Individual Investor.

Ankit Shah: So congrats on the successful fundraising of the QIP in record time. So I just wanted to know like what's your vision about the company in the long to medium term? And what's your -- like what CAGR of top line can we assume from here on? So I just want to know the broad numbers from here on that, how much growth are we expecting?

Atul Tantia: So in terms of revenue, like I just said earlier, I think the gentleman previous to you, is that in the next 3 years, we expect to double our revenues from Rs. 1,000 Crores last year to Rs. 2,000 Crores in FY '27. This would entail a CAGR of almost 24%, and this is quite a healthy growth number. This is in terms of revenues. EBITDA would remain at ~13%. PAT would grow disproportionately given the finance cost coming down and the operating leverage kicking in.

Ankit Shah: Okay. I got it. And apart from that, I just wanted to know like this growth guidance what you're giving. So this growth will be mainly coming from your railway orders or some road also, how will the revenue mix look in the future?

Atul Tantia: It's a mix of railways and roads. Today, railway accounts for almost 40% - 45% of our infrastructure order book and balances from NHAI, MoRTH, etc. So it's a mix of both. We are not dominant towards either. The Sleeper business obviously is only railways. So if you add that to the infrastructure business of railways, the majority of the revenues do come from railways. But for us, it will be a mix of both.

Ankit Shah: Okay. Great. So just one last question from my side. Just wanted to know how is the bid pipeline looking? And how is the order book? Like what are the order book guidance and also from here on? So I just wanted to know how is the industry doing? Any insights about the order pipeline and all as well?

Atul Tantia: So we have got almost Rs. 1,050 Crores of orders in this financial year. We expect to bag about Rs. 2,000 Crores plus for the full year. which means an order inflow of Rs. 1,000-plus Crores for this year - in the next 4.5 months. The government spending on infrastructure is quite good and continued focus on the infrastructure. So we don't expect any challenges with respect to that as well.

Moderator: Next is a follow-up question from Shivom Revankar from VS Revankar Holdings.

Shivom Revankar: Atul, I think I might have joined a couple of minutes late and I sort of overhead that you mentioned something in lines of some positive developments around external commercial borrowing. Am I hearing it correct? Or was it something else?

Atul Tantia: No, I never mentioned that, I think you are mixing some other call.

Moderator: Our next question is from the line of Akhilesh Gandhi from PWC.

Akhilesh Gandhi: Mr. Tantia, congratulations for really stellar results on this quarter. I wanted to ask with regards to the promoter share pledging. What's your outlook for reducing the pledge over the next few quarters or by end of this financial year?

Atul Tantia: So like I said in my opening remarks, the consortium banks have already agreed to release part pledge of the promoters. The documentation is in process, and hopefully, it should be concluded next week. So that will reduce the promoter pledge from the current 51% of the company to almost 34%- 35% of the company. So 14% to 15% of the pledge is released. And the balance also we expect by this time next year to also get released significantly as well. And this is, again, I would like to clarify is towards the working capital of the company and not for any other purpose.

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

Atul Tantia: Thank you, everyone, for your questions, and I hope I have suitably addressed the same. In case you have any further questions, please do get in touch with us. Thank you and have a good day.

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