Ganesh Infraworld

Operator: Good day, ladies and gentlemen, and welcome to the Q1 FY22 earnings conference call of Ganesh Infraworld Ltd. Ganesh Infraworld Ltd. is a diversified infrastructure company specializing in constructing high-rise structures, bridges, large-scale projects, and railway infrastructure, enhancing connectivity and mobility. Let us now begin with the introduction of the management team. We have with us today Mr. Vibhor Agarwal and the finance team of the company. I would now like to request Mr. Vibhor Agarwal, Promoter, Chairman, Managing Director and CEO, to give his opening remarks. Over to you, sir.

Vibhor Agarwal – Promoter, Chairman, MD & CEO: Hi, good afternoon, everyone. As Mr. Raju introduced us, we have started the financial year with strong momentum. What gives me confidence is not just our performance, but also the direction in which Ganesh Infraworld Ltd. is evolving. Over the last few years, we have continuously transformed ourselves from a traditional EPC company into a diversified infrastructure platform with capabilities across water infrastructure, civil and electrical infrastructure, railways, and mining.

Our philosophy remains simple: execution discipline and profitable growth. We are not building Ganesh Infraworld Ltd. for one quarter or one financial year. Our objective is to create an institution that can grow and compound value sustainably over many years. India is going through an extraordinary infrastructure-building phase, and I believe we are still at a very early stage of our own journey. Our ambition is large, but our approach will remain disciplined.

As promoters, we remain deeply committed to building Ganesh Infraworld Ltd. among India's most respected infrastructure companies. I thank all our shareholders, investors, clients, bankers, and our entire Ganesh family for their continued trust. With that, I will hand it over to our finance team to take you through the quarterly performance. Thank you.

Management: Thank you, Mr. Agarwal. As Mr. Agarwal said, we have started with good momentum. The company has generated revenue of 378.76 crores versus 180.65 crores in Q1 compared to Q1 of the previous year. While we achieved revenue of 378 crores in the first quarter of this financial year, the segmental bifurcation is primarily 76.24 crores from civil and electrical infrastructure, which is the oldest segment of this company.

Water contributed 118.26 crores of revenue in Q1. This is essentially the new segment that we entered in the previous {? financial year ?}. We generated 137.64 crores of revenue from the MDO business, which is mining development and operations, and 40.76 crores from the transport division. These two divisions have contributed through the subsidiary, Tycoon Mines GK Limited, formerly known as Kandoi Transport Limited.

Last year, the company started a new division involving equipment renting and leasing. The company purchased approximately 87 crores of equipment, including GST, with an approximate base value of 70 crores. This equipment has been rented out to marquee customers, and the rental revenue and everything else are expected to come from Q2 of this financial year. The company booked only marginal revenue of approximately {? 20.98 lakhs ?} rupees in this particular segment in Q1.

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With respect to EBITDA, the company achieved EBITDA of 61.59 crores versus 21.39 crores in Q1 compared to Q1 of the previous year. The number we are looking at right now is on a consolidated basis only. With respect to EBITDA, MDO contributed the highest EBITDA of 26.83 crores, followed by water infrastructure at 19.86 crores. Since equipment leasing had not started, its revenue and everything else will commence from Q2. That is why it reported 100% EBITDA of 20.98 lakhs, which is also a marginal number.

After that, we achieved PBT of 39.56 crores in Q1 versus 19.52 crores in the last quarter. This is with respect to the PBT achieved by the company. The company has a consolidated order book of 4,090.3 crores, with a presence in approximately 10 states. The company's debt-to-equity ratio is approximately 1.22 crores. The company achieved an EBITDA margin of 15.8% and a PAT margin of 7.8% this quarter in the current financial year. This covers the numbers. I would now request whether we need to add more highlights of the company going forward after taking questions from the investors.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. A reminder to all participants that you may press star and one to ask a question. The first question comes from the line of Augustya Dave with CAO Capital. Please go ahead.

Augustya Dave – CAO Capital: Hello, am I audible?

Management: Yes, sir, you are audible.

Augustya Dave – CAO Capital: Sir, I would like your comments on the demand situation as of now and how many tenders are coming in. We are heading into the UP elections, so this particular government has a tendency to drop everything and concentrate only on elections. Are you seeing any slowdown as of now? What is the status of receivables?

Vibhor Agarwal – Promoter, Chairman, MD & CEO: As far as demand is concerned, we do not see any reduction in demand due to the UP elections. On the one hand, the UP elections are on the cards, but on the other hand, Bihar received a proper structural framework just a few months ago. Therefore, a lot of inquiries and new tenders have started flowing in from Bihar. From October onwards, we again expect a lot of tenders to come in from West Bengal.

Since we are working across India—not in each and every state, but we are present in Bihar, Odisha, West Bengal, and Maharashtra—we cover a lot of geographies. Therefore, we do not see any dearth of demand. There are a lot of projects already in the pipeline.

Augustya Dave – CAO Capital: What kind of growth are you looking for going forward in this financial year? Where are you 100% confident that you will not have any problems with receivables, the work permits are in place, and everything is in place, so you only need to execute?

Management: With respect to growth this year, we have around 4,000 crores of consolidated order book for the company. Approximately 2,400 crores are from the subsidiary, which has a revenue

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cycle spanning 6 years. I think this would be divided over 6 years, more or less, with some fluctuations. The balance order book that we have in Ganesh Infraworld Ltd. has a pending tenure of approximately 18-24 months.

Augustya Dave - CAO Capital: For the remaining 1,600 crores?

Management: 1,600 crores, yes, sir, 1,600 crores.

Augustya Dave - CAO Capital: What are your expected margins here? Are you facing any problems on the raw-material side? Commodity costs have gone up. Is everything being passed through?

Management: Yes, sir. Commodity costs have gone up because of domestic and international wars and everything else. Specifically, diesel costs have increased significantly. Because of the increase in diesel costs, we are facing direct incremental diesel-cost issues, and we are also facing an increase in the prices of other materials.

At present, we are purchasing approximately 22-23 crores of diesel every month. Because of the price rise, and since we are purchasing at bulk rates, the prices have doubled. The prices have gone from 22 to 44 or 45 crores. With respect to metals, prices have increased by 15-20%.

However, since we undertake contracts for governments and private parties, we are not consuming these materials for our own consumption, so our contracts have a pass-through mechanism. We are therefore facing working-capital enhancement or working-capital investment requirements because of the price rise, but at the P&L level, there is no impact.

Augustya Dave - CAO Capital: I have one small piece of feedback. In the reported numbers that you have provided, the segmental breakups are not visible at all. Everything is squeezed into a very small table. When I try to zoom in, because the PDF has not been created properly, the individual pixels do not scale up properly. The segmental breakups are not clear. If you can change that going forward and also for this quarter, because it is not readable, that would help.

Management: Yes, sir. This is great advice from you. We will try to improve the visibility and pixel sizes of the presentation and the results, sir.

Augustya Dave - CAO Capital: I am referring only to the segmental part, sir. There is a problem in the main P&L as well, but that is still readable. The segmental part is not clear at all, not clear at all. If you can change that, sir, it would be a great help.

I have one question, sir. The stock fell off a cliff. There is clearly no problem in the P&L that you have reported, and you have performed reasonably well in a fairly tough environment. Have you looked into what exactly happened? Were there any internal issues because of which the fall happened? Is there anything that you can analyze to understand what exactly happened, if it is something that you have looked into?

Management: Sir, with respect to the stock's selling, we are actually not aware. As far as the company's operations and internal matters are concerned, we are achieving all the business projections that we had shared earlier while proceeding with the IPO and with the bankers and everybody. We are trying to achieve better than what we had estimated.

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There is no problem with respect to the financials. There is no operational problem either. With respect to other critical aspects of infrastructure, such as debtors or retention money, we are not facing any such issues there either. Therefore, from the company's information viewpoint, we do not understand any reason that can be identified to explain the stock price.

Augustya Dave – CAO Capital: Are any further promoter sales expected, or will we maintain the 57-58% level that we are maintaining?

Management: Yes, sir. When promoters have sold shares in the past, I would like to add that the promoter sold shares in the last year, I think in the March quarter. That selling was for approximately 10 crores, while the promoter infused a 30 crore rupee unsecured loan into the company in the same quarter for the acquisition of a subsidiary, representing a 60% stake in the subsidiary.

There was a shortfall of 30 crore rupees that the company was facing, which is why the promoter contributed that amount. For that contribution, the promoters sold shares worth 10 crores. As of now, the promoters have no plans to sell further stock.

Augustya Dave – CAO Capital: Understood, sir. Thank you very much, sir, and all the best, sir.

Management: Thank you, sir.

Operator: Thank you. The next question comes from the line of Mohit Mehta with Mehta & Associates. Please go ahead.

Mohit Mehta – Mehta & Associates: Hello, sir. Hello.

Management: Yes, sir.

Mohit Mehta – Mehta & Associates: Am I audible?

Management: Yes, sir, you are audible.

Mohit Mehta – Mehta & Associates: My question is how much of the company's revenue comes from the top five and top {? [unclear] ?} 10 clients?

Management: With respect to customer concentration, we have approximately 14-15 orders in our order book, which are not more in line items. I believe I have to recheck, but I can give you ballpark numbers. The ballpark numbers would be 60-65% from the top five and perhaps 90% from the top 10.

Mohit Mehta – Mehta & Associates: What is the size of your order book?

Management: Our order book is 4,000 crores on a consolidated level, and on a standalone level, it would be around 1,600 crores.

Mohit Mehta – Mehta & Associates: My second question is whether you could share the EBITDA margin across each business segment.

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Management: Yes, sir. With respect to EBITDA margin across each segment, what I can tell you is that the company is making approximately 6–7% PAT margin for the civil segment. The company is making approximately 10% at the PAT level for water, around 8–9% at the PAT level for the mining division, and approximately 4% at the PAT level for the transport division. The equipment division has not started making anything.

Mohit Mehta – Mehta & Associates: Understood, sir. My last question is: what are the key strengths across the different business verticals, and which areas will be the company's primary focus going forward?

Management: Going forward, the primary focus of Ganesh Infraworld Ltd. on a standalone basis would be water infrastructure only, because we see a decade of orders flowing into the water and sewage segments. The Indian government, under the leadership of Mr. Modi, has already achieved a lot in terms of road infrastructure and electrical infrastructure. However, water still needs to be taken care of. The government has a strong focus on water and sewage, and in the same manner, we are also aligned to put a pure focus only on this water segment going forward.

Our subsidiary, Tycoon Mines, is already a pioneer in the mining industry, having operated for more than 50–60 years, based out of Odisha. It has excellent credentials and can bid for any MDO tenders worth even 8,000–9,000 crore rupees on a standalone basis.

Over the last 2 years, you must have seen that the government has opened up and allotted many new mines to the private sector. Coal India is also focused on increasing its coal production so that India's import bill is reduced and we save a lot of foreign exchange. Therefore, we are already equipped and infrastructure-wise ready to cater to the mining business as well.

As a group, we are focused on water and mining, while Kandoi, that is, Tycoon Mines, is totally focused on MDO work.

Mohit Mehta – Mehta & Associates: Understood, sir. Thank you so much, sir.

Management: Thank you, sir.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question comes from the line of Nalin Shah with NVS Brokerage. Please go ahead.

Nalin Shah – NVS Brokerage: Very good afternoon to the entire team. We find that last year's results and your first-quarter results are quite encouraging. However, we would like to have some clarity about the current year and next year—at least over the next 2 years. What kind of top-line and profitability growth are we seeing in terms of PBT, PAT, and top line? If you can give us some guidance, that will give us a clear roadmap for the company.

Secondly, I also want to know whether there are any plans for fundraising at this stage or at a later stage to take care of the expanding business.

Management: Sir, with respect to planning for the next 2 years, we are focusing on water projects at the standalone level and MDO contracts at the subsidiary level. We have a consolidated order book

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of 4,000 crores, of which 1,600 crores has an average order life of 2 years and 2,400 crores of order book has an average life of 6 years.

We have a bid book of 5,000 crores for the MDO business at the subsidiary level, and we have a bid book of 4,000 crores at the standalone level, which consists of water projects. This will basically contribute to the top line over the next 2 years.

With respect to profitability, we understand that the profitability of the water segment is much better than that of the civil segment, as we have witnessed in the past. Since we are now focusing only on water at the standalone level, we expect the EBITDA and PAT percentages to improve. The segmental PAT percentage for water is approximately 10%, while that for civil is approximately 7%. By the time water contributes more to revenue, our PAT percentage should move from 7% toward 10%.

Nalin Shah – NVS Brokerage: What is the fund-raise size?

Management: Sir, at the Ganesh Infraworld Ltd. standalone level, we are not planning any fund raise right now. With respect to the subsidiary, we are working on the bid books and the conversion of bids into orders, which may attract the need for fund raising in the near future.

Nalin Shah – NVS Brokerage: Okay. Okay. Thank you very much. Thank you.

Management: Thank you.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question comes from the line of Dipti, an individual investor. Please go ahead.

Dipti – Individual Investor: Hi, ma'am. I wanted to ask what our project bidding capacity is on a standalone basis and through joint ventures.

Management: Ma'am, we were not able to hear your query properly. Could you please repeat the question?

Dipti – Individual Investor: What is our project bidding capacity on a standalone basis and through joint ventures?

Management: Through joint ventures, in standalone Ganesh Infraworld Ltd., we have a bid capacity of at least 2,500 crores because, in joint ventures, financial capability, net worth, and solvency play an important role.

As far as our subsidiary, Tycoon Mines, is concerned, we have a solo or standalone bid capacity of around 8,000 crores. In a joint-venture arrangement, we can bid upwards of 25,000 crores in terms of bid capacity.

This is the bidding capacity, meaning the maximum amount of orders that the company can take at any particular point in time, assuming that every bid we submit gets converted. There is a law under which you cannot bid for unlimited tenders. Even if you are bidding for tenders, bid capacity comes into play, determining how much you are capable of bidding under government laws. I have given you the numbers based on those rules.

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Dipti – Individual Investor: Could you provide the current employee mix between permanent and contractual staff?

Management: The numbers we have mentioned are as follows. We have approximately 64 engineers on our payroll, along with other staff at the administrative and technical levels. We expect the total number to be approximately 100–120. All the remaining people would be at the labor level and would be on the contractor's payroll.

Dipti – Individual Investor: Are there any plans to expand into new states beyond the current operating regions?

Management: No, we do not envisage entering any new state as such. In the existing states where we are present, we have already lined up many opportunities, and the company has planned many tenders. Some are reflected in the bid book, while some are yet to be bid. As of now, we do not plan to enter any new state geographically.

Dipti – Individual Investor: Okay, sir. Thank you.

Management: Thank you, ma'am.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question comes from the line of Rahul Kumar, an individual investor. Please go ahead.

Rahul Kumar – Individual Investor: Hello.

Management: Yes, sir.

Rahul Kumar – Individual Investor: Hello. Could you explain the strategic rationale behind the acquisition of Kandoi Transport Limited?

Operator: Mr. Kumar, sorry for interrupting. We cannot hear you. Can you speak a little louder?

Rahul Kumar – Individual Investor: Yes, sir. Can you hear me now? Am I audible?

Operator: Yes, sir. Please go ahead.

Rahul Kumar – Individual Investor: Could you please explain the strategic rationale behind the acquisition of Kandoi Transport Limited?

Management: Kandoi Transport Limited is a 70-year-old company that primarily focuses on the mining development and operations business, which we were also interested in pursuing. Last year, we undertook subcontracting work for them and executed an order of 134 crores out of a contract order of {? 708 crores ?} that we had taken from them.

Since we found the MDO work very comfortable, we wanted to grow further. Through discussions with the promoters of that particular company, we found an opportunity to infuse capital into the company last year and make it a subsidiary so that we could jointly bid for large orders.

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That particular company has the credentials to bid directly for MDO orders. As we can see, it has an order book of 4,000 crores, including a 3,000 crore order book from Coal India and its subsidiaries. This proves that the company has strong credentials and has been operating for the last 70 years in the transport and mining development and operations business. It has built substantial credentials that are generally accepted by all government PSU companies.

The company also had approximately 400 crores of equipment on its balance sheet that it had purchased. This equipment list also adds to its credentials when bidding for contracts because, in many contracts, they check whether you own an equipment fleet. Since the company owns an equipment fleet with a gross block of approximately 400 crores, this adds to the company's credentials. It also helps Ganesh Infraworld Ltd. to bid at the standalone level for different tenders, as tenders received by Ganesh Infraworld Ltd. also often ask for equipment ownership history or credentials. Thus, the subsidiary's credentials are also being added to the standalone company.

Operator: Speaker, your voice is breaking.

Management: Oh, sorry. Where should I repeat?

Operator: Speaker, go back a sentence. That is it. Then continue. Thank you.

Management: Basically, since the subsidiary has fixed equipment assets with a gross block of 400 crores, these assets are helping add to the company's credentials. These credentials are also helping Ganesh Infraworld Ltd. bid for orders at the standalone level, because many tenders received by Ganesh Infraworld Ltd. also ask for equipment ownership or related credentials. This helps both companies add credentials. This was the strategic rationale behind acquiring a 51% stake in the company.

Rahul Kumar – Individual Investor: What was the acquisition cost, and how do we expect it to impact margins going forward?

Management: With respect to expected growth, we have a consolidated order book of approximately 4,000 crores. We have a bid book of approximately 5,000 crores at the subsidiary level and 3,000 crores at the standalone level. We understand that this order book and bid book will help us grow in the near future, over the next 2 years.

With respect to profitability, as more revenue is now being contributed by water, we expect the profitability of the water segment to have a greater impact on the profitability of the company. Therefore, it will be a blended margin across segments. As water revenue increases as a percentage of total revenue, profitability should improve.

Rahul Kumar – Individual Investor: Okay, sir. Final question. The company recently secured a railway EPC project. How significant is the railway opportunity going forward?

Management: Sorry, sir, I could not hear you properly.

Rahul Kumar – Individual Investor: The company recently secured a railway EPC project, right? How is the railway opportunity expected to develop going forward?

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Vibhor Agarwal – Promoter, Chairman, MD & CEO: The company has recently booked a 100 crore railway order for earthwork required on the river walls in Bihar for the creation of a railway bridge by them. These were credentials that {? Tycoon ?} Mines had while undertaking MDO work, and on that basis, we booked this order. In the future also, we may receive this type of order, which is in our pipeline.

Rahul Kumar – Individual Investor: Thank you very much, sir. Thank you.

Vibhor Agarwal – Promoter, Chairman, MD & CEO: Thank you.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question comes from the line of Shalu Tarani, an individual investor. Please go ahead.

Shalu Tarani – Individual Investor: Thank you, sir, for the opportunity. I have seen that finance costs have increased sharply. Is this temporary due to expansion, or should investors expect elevated borrowing costs going forward?

Vibhor Agarwal – Promoter, Chairman, MD & CEO: We have taken some debt as working capital from banks. At present, we have approximately 160 crores of debt on our standalone balance sheet, and we have around 80 crores of fund-based debt at the subsidiary level. There is also 220 crores of term-loan debt at the subsidiary level.

The finance cost that has increased sharply at the consolidated level is mainly because of the consolidation of the subsidiary. The existing debt was also present last year, but since the subsidiary has been consolidated for the first time, the finance cost has increased sharply.

We believe the finance cost will decrease gradually going forward, from Q2 or Q3. The major reason will be repayment of the term loan, as the term loan is now being repaid in a major part during this financial year. Over the next 2 years, we will see a sharp decline in finance costs based on the company's current debt profile.

Shalu Tarani – Individual Investor: Okay, sir. My next question is: what is the current working-capital cycle, and what outlook would you like to provide for Financial Year 2027?

Vibhor Agarwal – Promoter, Chairman, MD & CEO: At present, I think debtors are approximately between 100-110 days at the consolidated level. Creditors are approximately around 1 month, and inventory is also approximately around 1 month. We believe this type of cycle will continue in the near future as well, since the line of business is not being affected based on the current order-book position.

Shalu Tarani – Individual Investor: Okay, thank you, sir, for the opportunity. Have a great future. Thank you.

Vibhor Agarwal – Promoter, Chairman, MD & CEO: Thank you. Thank you.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question.

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Operator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of the question-and-answer session. I now hand the conference over to Mr. Vibhor Agarwal, Promoter, Chairman, Managing Director and CEO, for his closing remarks.

Vibhor Agarwal – Promoter, Chairman, MD & CEO: Thank you once again to all the investors, our clients, bankers, and Mr. {? Riju ?}, who was the moderator of today's session. I would like to assure you that our growth and dedication toward contributing to India's infrastructure will be sustainable and will continue to grow in the days to come. We are yet to see a very bright future ahead. Thank you so much.

Operator: Thank you. Ladies and gentlemen, on behalf of Ganesh Infraworld Ltd., that concludes today's session. Thank you for your participation. You may now click on the exit meeting to disconnect.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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