



RPP Infra Projects Ltd

Wednesday, 6th September, 2017

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Scrip Code: 533284

The Manager, Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
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Bandra Kurla Complex, Bandra (East),
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Scrip Code: RPPINFRA

Sub: Transcript of Conference Call with the Investors/Analysts

Dear Sir/Madam,

The Company had organized a conference call with the Investors/Analysts on 28th August, 2017 post declaration of the Audited Financial Results for the quarter year ended 31st August, 2017. A copy of Transcript of conference call held with the Investor/Analysts is enclosed.

Kindly note the above Information in your records.

Thanking you,

Yours Truly,

For R.P.P Infra Projects Limited

A. NITHYA
Whole Time Director & CFO

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“R. P. P. Infra Projects Limited Q1 FY18 Earnings Conference Call”

August 28, 2017



MANAGEMENT: MS. A. NITHYA – WHOLE-TIME DIRECTOR

Moderator: Ladies and Gentlemen, Good Day and Welcome to the R. P. P. Infra Projects Limited Q1 FY18 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. If you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. A. Nithya, Whole-Time Director of the company. Thank you and over to you, Madam.

A. Nithya: Good Evening everyone and a warm welcome to R. P. P. Infra Projects Q1 FY18 earnings conference call. I have with me Stellar IR, our Investor Relations advisor. The investor presentation is uploaded on the exchange and I believe you all had a chance to look at it. Let me do a brief introduction of R. P. P. Infra Projects. This is one of the fastest-growing rural EPC company with a diversified segmental presence, which is broadly classified into water management, infrastructure, and building. In water management, we normally do irrigation, lining of canal and drinking water segment project. In infrastructure, we do factory buildings, roads, drainage, warehouses, etc. In building, it is normally residential building and also it is for the government projects. We do projects mainly in Southern India and have a strong presence in Tamil Nadu, Andhra Pradesh, Karnataka, and Telangana.

We are also witnessing a good opportunity in Madhya Pradesh and continuously doing projects in Sri Lanka, and currently we are entering into new country, Bangladesh. Our segment presence and discipline execution has helped us to generate better EBITDA margins at around 15% over last five years and we expect to maintain the same. Coming to the order book, our current order book stands at Rs. 850 crores and we expect to close it around 1200 crores at the end of the Financial Year 2018. At present, we have orders of around 350 crores in L1, out of which around 210 crores are in water management segment. We generally execute projects in the ticket price of 60 to 80 crores, however, we are currently also bidding for slightly bigger projects in the range of 150 crores.

Coming to our financial performance during Q1 FY18, the company reported revenue of 113 crores, a 33% year-over-year growth as against 85 crores in Q1 FY17. EBITDA during Q1 FY18 was at Rs. 17 crores against Rs. 14 crores in the same quarter previous year, a growth of 25% year over year. Profit after tax in Q1 was at Rs. 8 crores against Rs. 6 crores in Q1 FY17, a robust growth of 33% year over year. Average execution cycle for us is around 18 to 24 months and with our current order book of around Rs. 850 crores, we expect to achieve a turnover of around 470 to 500 crores in FY18 with an EBITDA margin of around 14% to 15%. We are witnessing huge traction in terms of orders due to Central Government's focus on infrastructure building with equal importance given to rural infrastructure development, and various states have also earmarked the orders and are on awarding stage. We believe that we are placed at the right position to reap the benefits of these huge opportunities. This is all from my side; we can now open the floor for question and answer.

- Moderator:** Thank you. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Mihir Desai from Desai Investments. Please go ahead.
- Mihir Desai:** Madam, just wanted one clarification, in our presentation we have given trend of order book and there the number shows somewhere 786 crores and earlier in our Q4 presentation, we had mentioned an order book of 818 crores, so just wanted to clarify that was there any change in scope of work or something like that?
- A. Nithya:** We are doing concrete road project in Gadag, Karnataka, actually the value of the order is somewhat 40 crores, the scope of work was then reduced by nine crores kind of something, like that into two orders, we got a reduction of orders, that is why it is.
- Mihir Desai:** Madam, also wanted to understand that we have big exposure, like our maximum amount of order book, which is roughly 50% is from Tamil Nadu?
- A. Nithya:** Yes, Sir.
- Mihir Desai:** Seeing the political instability over there, Madam, just wanted to understand, will it affect our execution, payment or any of our operations?
- A. Nithya:** Definitely, it does not affect the execution, but payment may be little bit delayed, instead 10 days, 20 days delay may be there, but execution wise it will not be. All the orders which we are executing till now, the fund is not directly from state government. Either it is funded by World Bank or it is from NABARD, and added to this, the fund is not entirely transferred to the State Government's pool account also, it is still lying in World Bank's account and NABARD account. Whenever we are submitting the bill, when the Department is sourcing that bill, based on that only the independent agencies are transferring the fund, payment wise we are safe. It may be little bit delayed because all the payments are processed by the government people, that may induct some delay, but it is assured payment.
- Mihir Desai:** Madam, it will not affect our working capital cycle in an adverse manner, the impact will be minor and not that major right?
- A. Nithya:** Yes, definitely, it is a minor issue.
- Mihir Desai:** Madam, are we taking any steps towards reducing our working capital cycle?
- A. Nithya:** Definitely, previously we are in the 210-240, then we reduced to 210, last year it has come to 190 days, current year we are taking more steps to reduce it by another 10 to 15 days, whatever the projects which we are executing for the last two years are in line. However, the other projects which we are not yet completed, which we have taken one-and-a-half years before, the fund from that projects are little bit delayed since it crosses the agreement amount, so to

getting approval and all, it takes time which creates, on an average it is roughly it comes to 190 days.

Mihir Desai: Madam, any plan of CAPEX for this year or two years from here?

A. Nithya: As of now, there is no plan of increasing the CAPEX, every year there will be a sum of around 3 to 5 crores, this is the restatement of the existing order and apart from that, it depends upon the nature of the project which we are able to add up in our order book. Currently, since the end of this quarter, our order book will rise by another 200 crores, for which there is no need for increasing the CAPEX. If we enter into the road work or a new diversification, if anything is there then it will be needed, as of now there is no.

Mihir Desai: Okay, so having said that, Madam, are we looking for any NHAI projects, road projects?

A. Nithya: Currently, we passed their test which is in technical process, it is in process.

Mihir Desai: Coming to the building front, Madam, just wanted to understand that are we doing any projects in front of affordable housing?

A. Nithya: Not exactly affordable housing, we are doing projects for Karnataka Slum Board, which is more or less equal to this affordable housing.

Mihir Desai: Last question, Madam, did GST affected us in some manner?

A. Nithya: Definitely, whatever the new projects which we are quoting after '17 that and all we included the GST also, there is a provision to include that also, so otherwise our project which we quoted previously and which are in 10% to 20% completion and all of obviously the GST will not be added, then all the government agency for whom we are working, they should include this GST and there will be little effect in Q2, which will be rectified before Q3, so far we had added only, we considered only VAT, now the revision is there for some projects it is 12% and some of them 18% is there, the government agency will take time to include the GST and to make payment to us.

Mihir Desai: Lastly, Madam, are we seeing any big projects in irrigation side?

A. Nithya: We are continuously seeing that, we are continuously bidding for that also. There are more projects in, we are getting good opportunity in drinking water pipes and projects. Currently in Tamil Nadu, Karnataka, and in Andhra providing water to rural habitation, providing drinking water to all rural habitation is one of the main agenda of all these three governments, so more and more works are coming in this sector and our eligibility is also good, so we are participating in that and we are yet to receive one good order by the end of Q2.

- Moderator:** Thank you. We have the next question from the line of Rohit Natarajan from IDBI Capital. Please go ahead.
- Rohit Natarajan:** Madam, I just missed out few numbers that you said in the initial part of the commentary, you said 807 is the opening order backlog and L1 is 305?
- A. Nithya:** 850 crores is as of 31st, and L1 is around 350 crores, out of this L1 around 210 crores will be some water management.
- Rohit Natarajan:** Madam, I am saying 850+350 and the execution will be close to 450, right?
- A. Nithya:** Yes, I am saying that the end of the year FY18 after executing whatever thing in FY17 to 18, at the end of 31-3-2018, our order book will be 1200 crores.
- Rohit Natarajan:** The next year, from 450, now that you have already stated that it could be 18 to 24 months is the execution cycle, so in FY19, you expect this revenue to jump from 450 to 600 crores, is that what you are saying?
- A. Nithya:** Yes, definitely.
- Rohit Natarajan:** So 600 crores, this 33% jump is in possible in FY19, also the EBITDA margin would you want to maintain it at the 15% level or what exactly would the subcontracting component will be more or it will be less EBITDA margin would be lower or something like that?
- A. Nithya:** Anyway, it will be 14% to 15%, we are able to maintain that same EBITDA margins.
- Rohit Natarajan:** Okay, what is the additional working capital that you will incur in FY19?
- A. Nithya:** We are not having any additional working capital, since now we are in the plan of enhancing the non-fund based limits, most of the drinking water pipeline projects comes with the mobilization advance, so it is better to utilize that instead of having a working capital limit.
- Rohit Natarajan:** Madam, let me just reconcile these numbers, this 850, 350 you said in L1 and then the 450 that is additional order inflow that you have already implied in your inflow part, where are those numbers coming in other than this drinking water, what exactly is the quantum of size, could you just tell me something on that?
- A. Nithya:** 150 to 200 crores, we are continuously participating in drinking water pipeline project, we are expecting more projects in waterline pipes.
- Rohit Natarajan:** How many projects are there like similar to this, is it only 150 to 200 crores one projects?

A. Nithya: Currently, whatever which we are in L1 is 350 crores, apart from that we participated in many jobs, it is not only from drinking water pipeline, we participated in road projects also, building also. Current L1 position is 350 and in that L1 position, around 210 crores is the waterline project.

Moderator: Thank you. We take the next question from the line of Abhijith Vara from Sundaram Mutual Fund. Please go ahead.

Abhijith Vara: Madam, first question is in Q4 presentation, there was one order 350 crores order in L1, Tangedco Hydroelectric Project, has it got converted, any update?

A. Nithya: No, it is not converted actually, there is a delay in fund allocation and NABARD actually rejected this particular thing, so again they have cancelled the bid, again there are going to conduct bidding.

Abhijith Vara: Second question was on the GST, you mentioned the rectification will happen from Q3?

A. Nithya: Definitely, whatever we are in the process of billing, but once the invoice is raised every month, we have to pay without getting the payment from the Department, we have to pay from our hand, instead of that we are waiting for the government to implement this GST, so that once it is implemented we can raise the invoice, immediately they will also pay for it, so we are waiting for that implementation of GST from the Department end.

Abhijith Vara: Just one more thing, the profitability part you mentioned it might improve year-on-year, this is because of better product mix or the orders itself are coming at better pricing?

A. Nithya: It is a better product mix.

Moderator: Thank you. We have the next question from the line of Shreyans Mehta from Emkay Global. Please go ahead.

Shreyans Mehta: Madam, just one clarification, for this year we are targeting 450 crores or 550 crores?

A. Nithya: 450 to 500 crores is the current.

Shreyans Mehta: Madam, secondly just a follow up on GST, say for example what is the impact we have been impacted this quarter and what will be the second quarter impact likely?

A. Nithya: Actually, we are working with both the State Government and Central Government, we are able to raise invoice with GST for all the Central Government work since they had implemented this effect and internally also they had introduced GST, so that whenever we raise the bill, we are able to get the payments with GST immediately, but the projects which we are working with the State Government, even though the fund is from the multilateral

agencies, the implementation of GST is not taken into effect, so they are collecting the data and they had formed a separate team for that, so we have to wait for raising the bill, otherwise, we are not able to get the GST from their end, for whatever the bill we are rising in July, August, so we are waiting for that. We have no exact impact, for example, we have seen for five departments in the Tamil Nadu Government is one department has already introduced the GST and they are ready to take the invoice with GST, but other four departments are yet working, so the exact, some change will be there, but I am not able to explain what will be the exact changes, but whatever it maybe it will be corrected in Q3, it should be corrected.

Shreyans Mehta: Madam, how confident are you that probably we will be able to get that amount from the third parties?

A. Nithya: We are working only with the government agencies where the GST implementation is done India wide so everybody should accept, this is not a variation in tax rate, this is a new taxation, in agreement the clause is clearly there, if any new introduction of taxes there, they have to pass on, you are eligible to pass on to the government, so definitely I am confident that we will get this.

Shreyans Mehta: Madam, just to understand the EBITDA mix in terms of your domestic order and international orders, the two orders which we have won, how does the margin work, is it similar to what we have in domestic or is it bit different?

A. Nithya: In Sri Lanka, it is more or less similar to domestic order, in Bangladesh, it is little bit high.

Shreyans Mehta: On a higher side?

A. Nithya: Yes, on higher side.

Shreyans Mehta: In terms of payment, the working capital cycle will be the same or it will be different, will we get any advances?

A. Nithya: For Sri Lanka, we got the advances, you are asking about the mobilization advance?

Shreyans Mehta: Right.

A. Nithya: We already got the mobilization advance in Sri Lanka, in Bangladesh, we have not started the work all our agreement formalities are over, but we have not yet signed the agreement, we are waiting, there are some issues between Power Grid of Bangladesh and fund, which is the IDB Bank, there is some corrections, there is design change. Siemens is waiting for that, since once agreement is signed, the days is counted, it is exactly 2 years so all the changes whatever is needed by Power Grid of Bangladesh should be documented and should be lettered by IDB, we are waiting for that.

- Moderator:** Thank you. We have the next question from the line of Varun Agrawal from BOI AXA Mutual Fund. Please go ahead.
- Varun Agrawal:** Just couple of questions, you said the GST circular where the state or the projects which are already existing in our books, where there is this circular is still to come out by the State Government, so in terms of that can it really affect our execution for the quarter?
- A. Nithya:** Definitely, we can wait for July and August, if it is not paid, the GST is not implemented or it is not added in our bill, then we are not able to execute the September also, so once it should be cleared by them also. If we continuously doing our execution, they will not care more for our GST and all, so it is not only me, the entire contractor community decided through our Builders Association of India, we are presenting papers to the government for this GST changes. We had already given papers to Chennai Corporation and likewise all together we are approaching the government for implementing these changes.
- Varun Agrawal:** Okay, it should be sorted out soon?
- A. Nithya:** That will be sorted out definitely.
- Varun Agrawal:** Second question; Madam, in terms of your order pipeline, are there some large orders in pipeline for next couple of quarters which we are looking to bid?
- A. Nithya:** Yes, this quarter we are expecting an order of around 180 crores from our water pipeline project, by this quarter end, we are able to get that order and we are continuously bidding for that also for the same pipeline project in next quarter also?
- Varun Agrawal:** What I wanted to know was, in terms of margins, whatever projects which we are going to bid after the GST implementation, is this going to be a significant difference between the margins after GST or there are going to more or less in line with whatever has been our historical budget?
- A. Nithya:** It will be more or less like the previous thing, there will be slight difference also be there, since previously whatever taxes we are paying for our projects, we are not able to get the input for it, now it is possible wherever the tax execution is there, we are able to get that input for it. The slight improvement in profit margin will be there.
- Moderator:** Thank you. We have the follow up question from the line of Mihir Desai from Desai Investments. Please go ahead.
- Mihir Desai:** Madam, wanted to understand our margins in different segment, so if you can just give a breakup or a sense of margins in the different three segments?

A. Nithya: In water management, we are able to get a margin of around 15 to 18%; in building, if it is residential building, we are able to get 9 to 10%; and in infrastructure which covers roads, go downs, warehouses, and factory buildings is 12 to 15%.

Mihir Desai: Madam, we are pretty dominant in South region, now what I want to ask you is that are we looking for some other states where we can look for new opportunities?

A. Nithya: Yes, last year we entered the new state Madhya Pradesh, the main reason for that is, we had a strong qualification in concrete, so there in Madhya Pradesh more rural roads are converted, they are converting almost all the rural roads into concrete roads, since we had a good experience and good qualification in that, in future also not only from Madhya Pradesh, in every state converting rural roads into concrete roads is going to come, so to improve our qualification and to step onto the new state, we had gone to Madhya Pradesh. We had taken two projects, since it is a new state for us, the establishment cost will be a little bit higher when compared to Tamil Nadu, Karnataka and Andhra, and for the first project we are waiting for the result of the first two projects. Once we complete that and now also we are completely bidding in the same state, but our order book size we keep on 20 to 40 crores, we are not gone beyond that limit, once we completed that two projects then we can get the confidence and since we are established there, then we can bid for more projects. After 2 to 3 years, we can go for next stage and we have to establish in Madhya Pradesh then only we can think for the other states, but more projects are coming over in Madhya Pradesh itself.

Mihir Desai: Madam, I just wanted to understand what are the pre-qualifications in each of our segments?

A. Nithya: In pipeline project, we can bid up to 180 crores. In irrigation projects, as a single R. P. P., without JV, we can bid up to 200 crores. In roads as a single entity, we can bid up to 100 crores, and with JV, we can bid up to 450 crores. In building, if it is a multi-storey building, we can bid up to 75 crores, if it is a G+1 kind of thing, we can bid up to 125 crores.

Mihir Desai: Madam, can you throw some light on our international geographies like how do we target those markets and what is our plan of targeting over there like just you can give a sense?

A. Nithya: In Sri Lanka, we are doing projects which is not the current projects alone, we had completed five years in Sri Lanka and we have done around four projects in Sri Lanka itself and which is only the Indian Government projects, so we are very keen in getting the payment, there should not be any risk in getting the payments, so we are taking only the projects which is floated by our Indian Government. We thought that Sri Lanka is not far away from our country and it is very easy to reach there also, so we are doing projects there. Apart from that, we entered Bangladesh it is only due to cement, we are continuously working with a cement sector subcontractor for the past seven years and we will propose projects and there is a prestigious project to us being a consortium member with Siemens, we quoted this work and the total job is around 200 crores. In that our portion is around 97 crores. This is the two countries, other

than that after establishing in Bangladesh, we may look for other, till that time these are the two countries which we are going to continuously bid.

- Mihir Desai:** Do we see any projects with cements, any new projects with them?
- A. Nithya:** We are yet to be awarded projects in Kerala, in that we are not direct, consortium member with Siemens, it is a 3,800 crores project for Siemens, it is Sumitomo, the Japanese Electrical Company, they have been awarded with this 3800 crores for which we quoted the civil works for them, in that we are going to get civil order from Sumitomo for laying the HD cable under the earth, for which we are constructing the civil trench, it is around 50 crores worth of project, we are waiting for that.
- Moderator:** Thank you. We have the follow up question from the line of Shreyans Mehta from Emkay Global. Please go ahead.
- Shreyans Mehta:** Madam, can you share the balance sheet numbers of debt and other numbers?
- A. Nithya:** When compared to Q4, our debt is 62 crores or something on Q1 and after the introduction of Director's loan, it comes to around 140 crores and the receivables cycle in Q4 it is 238. If you compare that with current Q1 number, it is 185 crores.
- Shreyans Mehta:** It is reduced?
- A. Nithya:** Yes, it is reduced.
- Shreyans Mehta:** Have we recovered any amount?
- A. Nithya:** Definitely, the previous balance which is now pending for 120 days, 140 days are all recovered and actually in Q4, the Tamil Nadu government new CM formed and they are supposed to give all the payments on March 31, all the payments gets released instead of March 31, payment is released on April 20, that is the main reasons why the receivables growth is high in Q4.
- Shreyans Mehta:** Okay, so the payments have been released on April 20th?
- A. Nithya:** Yes.
- Shreyans Mehta:** Madam, one last question, at what levels do you see the debt numbers for this fiscal, where do we end it?
- A. Nithya:** Debt numbers, you are asking about?
- Shreyans Mehta:** Debt for the full year, right now it is 140, so where do you see throughout the year?

- A. Nithya:** It will remain the same, in fact we are trying to reduce the CC limit since we got Director's loans with lower interest cap, we are trying to reduce the CC limit by 15 crores which will improve our PAT margin also.
- Moderator:** Thank you. We have the follow up question from the line of Abhijith Vara from Sundaram Mutual Fund. Please go ahead.
- Abhijith Vara:** Just one clarification, this Bangladesh order and Sumitomo order both are in L1, right?
- A. Nithya:** Bangladesh, we already got, which is included in 850 crores.
- Abhijith Vara:** 100 crores is included?
- A. Nithya:** 100 crores is included, this 50 crores is not?
- Abhijith Vara:** Debt number, you said is 62 crores versus 75 crores of Q4?
- A. Nithya:** 62 crores in Q4, which has increased by other, as of Q1, Directors loan is also added, it is around 70 crores is added with that.
- Moderator:** Thank you. We have the follow up question from the line of Rohit Natarajan from IDBI Capital. Please go ahead.
- Rohit Natarajan:** Madam, just when you said this amount of 1100 crores of order backlog ending in this fiscal, what is the split between building materials and infrastructure, I mean would it be in the similar pattern, that is 53 in infrastructure and close to 30?
- A. Nithya:** In infrastructure and water pipeline, we are expecting more; in building, it will be little bit less.
- Rohit Natarajan:** Madam, so what will be the, because infrastructure currently we have a higher component that could come down, is that what you are hinting?
- A. Nithya:** In the water pipeline, we are going to order by Q2 itself, the water pipeline percentage will grow more. Whatever the projects we quoted till now is in infrastructure and in pipeline only, the orders are only little in building sector, without that it may be 25 maybe in the building and the remaining 75% will be infra and water.
- Rohit Natarajan:** The 600 crore guidance for FY19, I am not talking about not the FY18, so you mean to say there will not be any additional CAPEX that is required for whatever gross log that you had?
- A. Nithya:** Whatever project that we quoted in infra, if it is awarded, for example, we quoted 300 crores worth of industrial job, if it is awarded means then the CAPEX plan will change, definitely it

will be added another 8 to 10 crores will be added, CAPEX plan will be there, it depends upon the nature of the project which we are going to get.

Rohit Natarajan: Now that you have hinted water and infrastructure is where the predominantly?

A. Nithya: For water management, for water line projects, we don't see any increase in capex.

Rohit Natarajan: If it is water, you would not have to take, is that what you are saying, right?

A. Nithya: Yes.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now like to hand the conference over to Ms. A. Nithya for closing comments. Thank you and over to you, Madam.

A. Nithya: Thank you everyone for joining us on the call. Please connect with Stellar IR, our Investors Relations advisor for any further queries.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of R. P. P. Infra Projects, that concludes this conference. Thank you for joining us and you may now disconnect your lines.