



## “RPP Infra Projects Limited Q4 FY 2017 Earnings Conference Call”

**June 08, 2017**



**MANAGEMENT: MRS. A. NITHYA -WHOLE TIME DIRECTOR**  
**MODERATOR: MR. ADHIDEV CHATTOPADHYAY - EMKAY GLOBAL**

**Moderator:** Ladies and gentlemen, welcome to the Q4 FY 2017 Results Call of RPP Infra Projects Limited hosted by Emkay Global Financial Securities. We have with us today Mrs. A. Nithya -Whole Time Director.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal the operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Adhidev Chattopadhyay from Emkay Global. Thank you and over to you, sir!

**Adhidev Chattopadhyay:** Good evening, everyone. On behalf of Emkay Global, I would like to welcome you all to the management call for the Q4 FY 2017 results of RPP Infra. We have with us from the management Mrs. A. Nithya.

So, I would now like to hand it over to her to give us a brief on the company and the key highlights for the financial year. Over to you, ma'am!

**A. Nithya:** Good evening, all. I am Nithya the Whole Time Director of RPP Infra Projects. About our company, this started as a partnership firm. In 1995 - 1996 it is converted as a private limited company. In 2010, we had listed in NSE and BSE and at the time of listing our top-line was around Rs. 140 crores. In 2016 - 2017 our top-line is around Rs. 367 crores and we are doing projects mostly in southern part of India especially in Tamil Nadu, Karnataka, Andhra, Telangana, and we are continuously doing project in Sri Lanka and now we entered new state in Madhya Pradesh it is again, since we had a very good experience in concrete we are doing road project in Madhya Pradesh again it is concrete road.

The management side, me and my CMD are the main promoters in the company and last year we have performed, we had a target of Rs. 400 crores and due to the demonetization effect our Q3 results were down and apart from demonetization since we had in our order book the 50% of works order was in Tamil Nadu, the Chief Minister death and confusion in the political scenario makes us not to achieve target. The current year target is around Rs. 550 crores and we had an order book of Rs. 820 crores and we mainly concentrate on three segments that is that is water management and infra and buildings. In water management, we normally do irrigation lining of canal and drinking water pipeline supplying in lying of drinking water pipeline. And the infrastructure has covered factory buildings, road, drainage, this thing and in buildings it is completely residential building, building for government stuff. And in total our order book all the projects 100% the book is from government only.

And regarding our last quarter performance when compared to Q3, Q4 result is far better and we are able to attain continuous EBITDA margin of about 14% and last quarter it was a little bit low and it was because of bad debt which we declared as considered some of the

receivables which is five years - six years before it is in 2008, 2009, 2010, and all whatever the receivables we getting are booked as Rs. 10 lakhs - Rs. 5 lakhs which is declared as a bad debt that is accumulated around Rs. 3 crore because of that the EBITDA margin is low otherwise it will maintain about 14% only.

**Moderator:** Should we open up for questions?

**A. Nithya:** Yes.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We take the first question from the line of Anoop Agarwal from Cogencis. Please go ahead.

**Anoop Agarwal:** Ma'am just wanted to know what is the amount of order that we are going to bid for and what is your guidance for the order book in FY 2018?

**A. Nithya:** Yes, as of 31st March 2017 my order book is around Rs. 818 crores and in we are in L1 is around Rs. 460 crores, so we are expecting that our order book will close by FY 2018, we Annual Report expecting that our book should close by Rs. 1,500 crores.

**Anoop Agarwal:** Okay. By another Rs. 1,500 crores?

**A. Nithya:** No, together it should be as a closing thing, closing work to be executed as on 31st March, 2018 will be Rs. 1,500 crores.

**Anoop Agarwal:** Okay. And L1 in how many projects is it there?

**A. Nithya:** It is four projects, total amount is around Rs. 460 crores.

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

**Abhijith Vara:** Madam, just wanted to clarify your ticket size are seems to be increasing L1 of Rs. 460 crores in four projects. Earlier your ticket size to be Rs. 30 crores to Rs. 50 crores, can you give us an outlook as to the order pipeline which is right now, what are the ticket sizes are and which areas are looking promising? Also which states for example may be in Karnataka or Tamil Nadu, if you can highlight which areas will provide you growth?

**A. Nithya:** Yes. As of now Karnataka gives more opportunities since for this government this is the last year they are promoting more work and whichever state whether we are concentrating more on southern part of India in that whichever work is tied-up with the world bank kind of thing, with the international agency like world bank or ADP or with central government fund or with the NABARD fund whichever project is tied up with all this on the international agencies of central government we are participating whatever the state may be either it may be Tamil Nadu or Karnataka or Andhra, Telangana. Currently, in our order book before orders which is of Rs.

450 crores in that bonus from Tamil Nadu Civil Supplies it is around Rs. 50 crores, it is funded by NABARD and another order, it is a major thing, it is around Rs. 350 crores and is from tinged core it is again from Power Grid Corporation funded by Power Grid. This work is participated in JV with SREI Infra.

- Abhijith Vara:** Okay. What will be the scope of work here madam?
- A. Nithya:** It is a Power house construction, infrastructure only, it is power house construction.
- Abhijith Vara:** And your portion of work Rs. 350 crores?
- A. Nithya:** Yes, the total job is Rs. 350 crores and we participated in a JV the JV partner scope is also subcontracted to us itself as per our internal agreement.
- Abhijith Vara:** Okay. Since, you are getting into larger ticket size orders, will it have an impact on your working capital getting better or any such possibilities are there if the ticket sizes of the orders increase? Let us say per order if you are doing Rs. 100 crores rather than Rs. 50 crores earlier will it help our working capital employee?
- A. Nithya:** Working capital, the improvement in working capital is that whether the debtor cycle is improving or not, you are asking about that?
- Abhijith Vara:** Yes.
- A. Nithya:** It is not possible to get all the payments in 30 days or 35 days, it will take time. 90 days is the normal period and we should take care that it should not exceed 180 days, whatever the ticket size may be.
- Moderator:** Thank you. We will take the next question from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.
- Parkishit Kandpal:** Ma'am you highlighted in the start of the call that you are present in the three segments, building, water and infrastructure. So, I wanted to understand individually in these segments right now what is your standalone qualification in terms of bidding alone for a project like in buildings, how much what is the biggest order you can bid single handily?
- A. Nithya:** In water pipeline project we can participated in a Rs. 100 crores job in drinking to pipeline, in irrigation we can participate in irrigation there it is a lining of canal and in that we are able to participate to Rs. 175 crores to Rs. 200 crores since we are now executing a job worth of Rs. 120 crores, by completing this job we are eligible to pass directly as Rs. 200 crores project we can directly participate.
- Parkishit Kandpal:** In building segments?

- A. Nithya:** In building it is surround as Rs. 60 crores to Rs. 75 crores we can participate in single, it depends upon the type of building, if it is a factory building, we can participate up to Rs. 120 crores. If it is a residential building, it is a multi-storage building, we can participate only up to Rs. 50 crores and in road work, if it is a NHAI or MOTH we can participate as a single bidder, we can participate up to Rs. 60 crores.
- Parkishit Kandpal:** Rs. 60 crores, okay. So, both in NHAI both you are qualified for Rs. 60 crores standalone.
- A. Nithya:** Rs. 60 crores is single handedly but in NHAI now in participate in a job of Rs. 250 crores that we participate in JV. Since NHAI is also relaxed prequalification condition in that way we are able to be a JV partner for a Rs. 450 crores job.
- Parkishit Kandpal:** Who is the JV partner in that.
- A. Nithya:** In that ECI. ECI it is a Hyderabad company.
- Parkishit Kandpal:** ECI?
- A. Nithya:** ECI.
- Parkishit Kandpal:** So, you bid for this project.
- A. Nithya:** Yes, we had bid for the project
- Parkishit Kandpal:** And the bid has opened already or it is?
- A. Nithya:** No, the technical evolution is going on.
- Parkishit Kandpal:** And this is a EPC, so we are talking about all the EPC projects here?
- A. Nithya:** Yes, rates in EPC project.
- Parkishit Kandpal:** The Rs. 250 crores will be our share in case if you win the project?
- A. Nithya:** Yes.
- Parkishit Kandpal:** This is a MOTH or NHAI.
- A. Nithya:** It is NHAI.
- Parkishit Kandpal:** When you spoke about the residential building. So, you are talking about when you said 100% of our order book is from the government, so typically these residential building who will be the client from the government side?

- A. Nithya:** Currently, we are doing project for MNC, Neyveli Lignite Corporation and we are project for EPI in that project for EPI they have named it as a ITBP (Indo-Tibetan Border Police) doing project for the entire township we are doing in Chittoor that is in Andhra.
- Parkishit Kandpal:** Okay. And I was just going through your balance sheet of this year, so I do not know, I am little bit confused with regards to the current assets and non-current asset. So, the trade receivables highlighted here is Rs. 238 crores, it translates to roughly around Rs. 247 days of trade receivable. So, what all you classify under trade receivables here? Is it entirely debtor or?
- A. Nithya:** The main thing is debtor.
- Parkishit Kandpal:** But why for a company of your size, before that I would like to ask with this order book of Rs. 820 crores what is the timeline of completion like how many years this?
- A. Nithya:** It is maximum two years.
- Parkishit Kandpal:** For a two-year order book why the debtor should be almost as high as like 247 days?
- A. Nithya:** No, actually my as of 31<sup>st</sup> March, 2017 my debtors is around Rs. 20 crores something like but the major receivable is from Tamil Nadu which around Rs. 42 crores I received by April 2015, I received this much of amount. So, this not to compare with the last quarter of this year particularly this year it was like that since in the last quarter because of the death of CM and a lot of political confusion in government it was not possible to release the payment in time. So, the debtors automatically increase from the current level. It should be normally, it will be around Rs. 170 crores - Rs. 178 crores kind of thing. Now it is has normally increased to Rs. 140 crores.
- Parkishit Kandpal:** Ma'am I mean Rs. 178 crores you are talking about still it is very high, I mean if I take the base of the current revenues this year's revenue still at Rs. 177 odd days, it seems to be pretty high for our order book...
- A. Nithya:** If you compare with the last year, if you compare with the last year 2014 - 2015, 2015 - 2016, 2016 - 2017, it is almost normal when compare with the last two years our debtor was like this only.
- Parkishit Kandpal:** Yes. So, I am saying why it is so high? I am not able to understand this because company is almost three times or 5x, or 7x – 8x of your size I mean they typically even have debtor days of 90 days or as well as 50 days - 60 days, so you are having almost like Rs. 180 days kind of debtors so which a little bit.
- A. Nithya:** Yes, the 180 days not for the entire year, you are saying about the average days actually it is not like that. Whatever the project which we participated now and whichever the project which is in starting stage, well starting stage to 70% of work completion there will not be any delay in the payments, it may be delay may be 30 days or delays like that only. If we scrap of 70% of

work and re-phased up to 80-90 then the delays come in the form if any additional item is executed by us, if any quality exceeds the agreement quality, if any amount exceeds the agreement amount, then we have to execute in order to complete the entire job, in time we have to execute the job but the payment will not be released as per the original terms and condition, we have to wait for at least one year since it crosses the agreement value. It has to be approved, it is the result-estimation have to be prepared by the department and it has to be approved by the higher-level authorities, it goes up to CM level then only it will be approved. Particularly, if it is World Bank fund or international agency fund the entire excess amount it will take at least one year to get released. This is there reason why the payment is stretching like this. The debtor cycle is increasing why and this much of amount is paid as it is.

**Parkishit Kandpal:** But this Rs. 238 crores is how much will be greater than six months I mean thought it is already...

**A. Nithya:** It will be around Rs. 38 crores will be more than 180 days and in that particular around Rs. 12 crores is in arbitration.

**Moderator:** Thank you. The next question is from the line of Rita Tahilramani from Edelweiss. Please go ahead.

**Rita Tahilramani:** Ma'am I just wanted to understand the margin profile for the company because considering 50% of our order book is coming from roads and on an average the road companies make an average of 10% - 12% and we have been consistently giving good margin numbers. So, can you please help us more on this particular margin profile?

**A. Nithya:** Normally infrastructure projects will give us margin of 12% to 15% and in irrigation and pipeline the margin will be around 15% to 18%, in building 9% to 12% will be the margin and irrigation in water line project giving more margin to us because of that this EBITDA margin may be maintained.

**Rita Tahilramani:** Okay. So, in irrigation what is the kind of work do we do, are we also working for the Karnataka Lift Irrigation or these kind of contracts?

**A. Nithya:** No, Lift Irrigation is completely different from this one, my irrigation project is lining of canal to avoid the seepage of water almost the government of Karnataka is doing lining of canal for all the thing in Andhra also this type of project is going on and currently so far we have done lining of canal only.

**Rita Tahilramani:** Okay. And going forward in FY 2018 since you mention reach somewhere in order book of about almost Rs. 1,500 crores, which segment do we see better orders coming in from is it from the...

**Rita Tahilramani:** Actually, to get this EBITDA margin we should concentrate mostly on irrigation project, but our focus is on irrigation project the government is floating more jobs in building sector also

for giving houses for all economically weaker section and all, they are providing houses for all and some subsidy also. So, more projects are coming with good margin, so we have to participate in that also. But our focus was mainly on participating irrigation and pipeline project. Since, more projects are coming through AMRUT Scheme providing drinking water to all rural habitation. In this way, all rural habitations are floating more tenders, more works for pipeline project. Our focus is on irrigation pipeline and after that roads and the lastly, the building.

- Rita Tahilramani:** Okay. In building, have we started seeing orders from the affordable housing segment?
- A. Nithya:** We are participating but so far, we have not got any work and we are doing projects for Karnataka Police Housing, that we are continuously participating and we got two works also. We are executing that.
- Rita Tahilramani:** And how is like normally the average size of these contracts?
- A. Nithya:** It starts from Rs. 25 crores to Rs. 40 crores.
- Rita Tahilramani:** For the state road projects which we are participating as you mentioned that post the irrigation the next focus for us is the state road projects, how much do you see the orders inflow coming in from the road sector in FY 2018?
- A. Nithya:** In FY 2018, in infrastructure we are expecting around it depends ma'am it is not possible to segregate that. Currently our order book is 30% in building, 30% in infra and 30% in irrigation. In future, instead of building the infra and irrigation may be increased.
- Moderator:** Thank you. The next question is from the line of Anoop Agarwal from Cogencis. Please go ahead.
- Anoop Agarwal:** How much of projects will be commissioned in this financial year which will eventually add to the top-line?
- A. Nithya:** How many projects will be completed, you are asking that?
- Anoop Agarwal:** Yes.
- A. Nithya:** Currently we are operating with 30 projects. In 30 projects, around 10 projects are in the finishing stage, almost we are waiting for the final bill to be done. 10 projects completely it will be closed. And another 10 projects we will be in the final bill stage. Almost 20 projects will be completed and more or less another 10 new projects will be added.
- Moderator:** Thank you. The next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.



- Nitin Gandhi:** Please confirm that execution during the year FY 2018 is approximately Rs. 550 crores, that is what you said, right?
- A. Nithya:** Yes.
- Nitin Gandhi:** Okay. And margins will be maintained at 15%?
- A. Nithya:** 14% to 15%.
- Nitin Gandhi:** Okay. So, whatever new bidding which we are expecting that almost Rs. 700 crores jump in the book there also you continue to bid based on (+15%), right?
- A. Nithya:** Definitely we will maintain this level, we should participate like that only otherwise if any rise in raw material will directly affect us. Getting project with a low margin can easily participate and we can easily get that project but getting a project with good margins is most important.
- Nitin Gandhi:** And there also will be average execution period of two years to three years only not beyond that, right?
- A. Nithya:** Definitely, it will not be beyond that. It starts from 12 months, 18 months, 24 months, as soon the irrigation project may exceed sometimes since irrigation project is the seasonal project in any point of time if the government is not able to stop the flow of water for the interest of the public, in that time it may be extended to another six months or one year.
- Moderator:** Thank you. We will take the next question from the line of Aditya Khetan from Nalanda Securities. Please go ahead.
- Aditya Khetan:** Ma'am my question is related to the order book, how can we see the growth of order book over the next two years to three years?
- A. Nithya:** Next two years definitely there will be more growth. Whatever the central government speaks for the past three years, now everything is coming into the actual scenario, so every day if you see the papers and everything due to the AMRUT Scheme more pipeline orders are coming from Andhra, Telangana, Karnataka and even in Tamil Nadu also. By this providing house for economically weaker section more building projects is also floated. So, for the coming two years it is definitely a good opportunity for any infra company, so it is wise to grab this opportunity at this point of time.
- Aditya Khetan:** Okay. So, are we focused on South India only ma'am or are we focusing on the other parts also?
- A. Nithya:** At present, we are focusing only these four states and currently we have entered into Madhya Pradesh. Since in Madhya Pradesh the government is BJP and the fund flow will not be a problem for us and there also they are floating more job in road and in building and in

irrigation also. I thought the size of companies like us it is more than enough if we concentrate on these four states and once we establish in the market then we can look after the next states.

**Aditya Khetan:** Okay. Have we started bidding for the large size projects also?

**A. Nithya:** Yes, directly it is not possible for us to bid but by having a JV with other company and if it is particularly we participated in two projects one in the NHAI which it is a Rs. 450 crores job, this is very near to our register office and another project TANGEDCO it is again in Tamil Nadu. Since, here we had already established which ever project the good the tie-ups with the funding agencies then we can participate.

**Moderator:** Thank you. Ladies and gentlemen that was the last question, I now hand the conference over to Mr. Chattopadhyay for his closing comments.

**Adhidev Chattopadhyay:** Yes, on behalf of Emkay Global I would like to once again thank the management of the company for taking time out today for today's call. Thank you everyone and have a good day.

**A. Nithya:** Thank you to all.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Emkay Global, that concludes today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.