



RPP Infra Projects Ltd

Tuesday, 5th December, 2017

Corporate Relationship Department
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Rotunda Building, P.J.Towers,
Dalal Street, Fort,
Mumbai - 400001.
Scrip Code: 533284

The Manager, Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
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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 30th November, 2017 post declaration of the Audited Financial Results for the half year ended 30th September, 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 Q2 & H1 FY2018 Earnings Conference Call”

November 30, 2017



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

Moderator: Ladies and gentlemen, good day and welcome to the R.P.P. Infra Projects Q2 and H1 FY2018 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*” 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. Thank you and over to you Madam!

A. Nithya: Good afternoon everyone and a warm welcome to R.P.P. Infra Projects Q2 FY2018 Earnings Conference Call. I have with me Stellar IR, our Investor Relation Advisors. The investor presentation is uploaded on the exchange and I believe you all had a chance to look at it.

For the benefit of the people who are looking at R.P.P. Infra for the first time, I will share a brief introduction about R.P.P; R.P.P is one of the fastest growing rural EPC company having diversified segment presence, which is probably classified into water management, infrastructure and building. In water management, we normally do irrigation, lining of canal and drinking water segment. In infrastructure, we do factory buildings, roads, drainage, warehouses, and in buildings, as normal residential buildings primarily for government agency. We do projects mainly in Southern India and have a strong presence in Tamil Nadu, Karnataka, Andhra Pradesh and Telangana. We are also witnessing a good opportunity in Madhya Pradesh and continuously doing few projects in Sri Lanka and now entered in Bangladesh.

For segment presence, a discipline execution has helped us to generate better EBITDA margins, at around 15% over last five years and we expect to maintain the same in the coming years. Our order book, current order book stands at Rs.134 Crores and we expect to close that level to Rs.1,200 Crores at the end of this financial year 2018. H1 FY2018 up to September 2017, till date we have received an order inflow of around Rs.350 Crores and at present we have an order of around Rs.106 Crores in L1. We consciously have been executing further in the ticket size of Rs.60 Crores to Rs.80 Crores; however we are currently also bidding higher ticket size projects in the range of Rs.150 Crores to Rs.300 Crores.

Moving to our financial performance during the Q2, the company reported revenue of Rs.108 Crores, 28% year on year growth as against Rs.86 Crores in Q2 FY2017. Revenue during H1 FY2018 was at Rs.220 Crores, a robust growth of 23% against Rs.171 Crores in H1 FY2017. EBITDA during Q2 FY2018 was at Rs.16 Crores against Rs.14 Crores in the same quarter previous year, a growth of 16% year on year. In H1 FY2018, the company reported an EBITDA of Rs.33 Crores against Rs.27 Crores in H1 FY2017, a 22% year on year growth.

Profit after tax in Q2 was Rs.7 Crores against Rs.6 Crores in Q2 FY2017, a growth of 11% year-on-year. During H1 of FY2018, the company reported PAT of Rs.14 Crores against Rs.12 Crores in H1 FY2017, a growth of 22% year-on-year. We are witnessing huge traction in terms of orders work due to central government focus on infrastructure building, its equal importance given to rural infrastructure development and various states have many orders and are on awarding stage. We believe that we are placed at the right position to reap the benefit of these huge opportunities. That is all from my side. We can now open the floor for question and answer. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. We have first question from the line of Nidhi Agarwal, Individual Investor. Please go ahead.

Nidhi Agarwal: Thank you Madam for taking my question. I just wanted to understand a little more on the order book outlook. You said that we have Rs.350 Crores of order inflow currently right and the order book stands at Rs.1,044 Crores. What would your outlook be for the next two to three years given that there is increased activity from the government in terms of orders, awards, etc., and in terms of segment also, do we have any strategy or any target mix that we are looking for?

A. Nithya: Definitely Madam. We had a good experience in executing irrigation projects. It is a lining of canal and once the projects, which we are currently doing is complete, which we have to complete by this March. Once it is completed, we can directly bid to the project size of Rs.250 Crores. Current project size is around Rs.140 Crores, which we booked through JV. It is 70:30 participants. Now we can as a sole participant, we can bid once this after March we can bid to a project of Rs.200 to Rs.250 Crores. It depends upon the nature of the project and items involved in that project. So in that sector since this is the project, which we have to complete in a minimum time gap. It is a seasonal project. We cannot do the project continuously. We have to stop at the time of waterfall, we have to stop the project and then doing that work that should not be a flow of water, the season maybe start from 60 days to 120 days, in this shorter span we have to execute the project in timely manner, which we have a good experience in that and much of competition also and apart from that we had a good experience in water line projects. Particularly this project due to Prime Minister's new scheme providing a drinking to all rural habitations that way through the AMRUT scheme, lot of projects are coming in Tamil Nadu and currently we awarded a project of Rs.190 Crores. This project is a two-year project. Once this project is completed, we can bid more than Rs.350 Crores worth of projects. Our main concentration is on two-waterline project and irrigation and apart from that our Nitin Gadkari during his last visit had also pointed out that the infrastructure and homes for all, are going to be developed in a very huge manner. That 1 lakh Crores is awarded to Tamil Nadu itself. So there is a huge opportunity for infrastructure development work and in the port also.

Nidhi Agarwal: Okay, so Madam because you mentioned about Tamil Nadu and also that just makes me ask this another question to you in terms of your geographical diversification, are you looking even the Tamil

Nadu itself has enough opportunities coming, are you also looking to diversify to other states and if yes, any plan?

A. Nithya: Yes, definitely. Three years before our order books have completed as to 70% to 80% of our mix is from Tamil Nadu, but now it is only 50% to 60% from Tamil Nadu and now we have diversified to Karnataka and slowly into Madhya Pradesh and we are doing two projects in project. Once we complete it there, then we may continuously bid in Madhya Pradesh also.

Nidhi Agarwal: Okay it is no new states that you are looking to add? Right now, you will be focusing only in?

A. Nithya: No, we have to establish in Madhya Pradesh. Once the establishment is done then we can move to the next state, till that we are putting tender in and around Southern parts of India.

Nidhi Agarwal: Okay and what would be the project size that you are doing in Madhya Pradesh and type of projects?

A. Nithya: It is around Rs.35 Crores. It is a concrete road. There in Madhya Pradesh all rural, they are converting all rural roads into the concrete roads, we are doing concrete road.

Nidhi Agarwal: Okay and what size did you say I missed that?

A. Nithya: It is Rs.45 Crores. One is Rs.45 Crores and another is Rs.29 Crores.

Nidhi Agarwal: Rs.29 Crores. Okay. Just Madam last question you said that after doing the Rs.140 Crores irrigation project, you will be able to bid for up to Rs.200 Crores to Rs.250 Crores that will be independently you will be able to bid for that much or will that also be in JV?

A. Nithya: No, it is independently, we can bid for that.

Nidhi Agarwal: Independently you can bid for that, okay. All right Madam. That is it. If I have more questions I will come back Madam. Thank you.

Moderator: Thank you. Next question is from the line of Varun Agarwal from BOI AXA Mutual Fund. Please go ahead.

Varun Agarwal: Madam Congratulations for good result. I have questions on your order book. You said going forward we will be able to bid for projects, which are higher ticket size, so from the angle of margin, do you think this higher ticket size orders will carry better margins or do they think we will be able to maintain margin?

- A. Nithya:** Not, better margin but the margin will remain the same but the competition will become a little bit low when compared to the current stage. So this small contractor is now emerging, everywhere the new players are emerging, so the competition is becoming in our ticket size also, the competition is there, to move from that layer to next layer to next layer, needs this completion of this project. Once we complete this, then we can go for the next layer. There the competition may be little bit less than compared to this. After two or three years in that segment also competition may arrive.
- Varun Agarwal:** Right. So what kind of bid pipeline do we see for particularly for irrigation projects and is there any L1 do you have right?
- A. Nithya:** Yes, we have L1 in Rs.20 Crores project, it is a smaller ticket size, which is in Tamil Nadu and the rest of the things we bid, but the technical evaluation is not yet complete. Rs.110 Crores project we have already bid.
- Varun Agarwal:** But can you just throw some like on what is the possible pipeline in the next six months to one year in particularly irrigation segment?
- A. Nithya:** In irrigation segment in Tamil Nadu Government so far after its announcement from Nitin Gadkari from Rs.3000 Crores is allotted to irrigation segment alone and apart from that drinking water pipeline currently the government had applied for NABARD and World Bank, it is around Rs.6000 Crores of project they have applied, it is on the last stage for the NABARD alone Rs.3000 Crores. We may expect project from NABARD in Tamil Nadu government, it is around Rs.3000 by January end.
- Varun Agarwal:** By January end, and it will be eligible to bid higher ticket size?
- A. Nithya:** Yes, we are eligible. As of now we are eligible to up to as per R.P.P. alone can bid up to Rs.150 Crores project and apart from that if ticket size is more than this, we have to go for JV.
- Varun Agarwal:** Okay. Thank you Madam. In terms of working capital situation, how is it, do you think they will improve by going forward in Tamil Nadu?
- A. Nithya:** Yes, definitely, it is improved. When compared to last year, last year at initial stage it was 210 days and at the end of the last year it comes to 190 days and with our first quarter alone it is 5 days to 1 day reduced and in the current thing we are planning to reduce by another 10 days. We have reduced our debtors also when compared to last March 31, 2017, current 39 SRs is much better, 40% is reduced.
- Varun Agarwal:** Okay. What is the current working capital cycle now in H1?
- A. Nithya:** It is now 180 days, 170 to 180 days.

- Varun Agarwal:** In terms of road projects, can you throw some light on your order book and what is the bid pipeline there?
- A. Nithya:** We are not segregating roadways as a separate segment, but the road works are included in infra segment and currently we are concentrating more on road works, since the government is giving more attention towards the road work. Currently in infrastructure we are our order book is 1044 Crores means in infrastructure level it was Rs.324 Crores, 31% is from infra and as of now we have not done any NHAI project and we are done only concrete roads and service road to NHAI.
- Varun Agarwal:** And what is eligibility here on standalone basis, are we eligible to bid. On a standalone business are we eligible?
- A. Nithya:** Yes, definitely. At standalone R.P.P. can bid up to Rs.130 Crores, as JV thing we can bid up to Rs.480 Crores.
- Varun Agarwal:** Okay, so do you have any pipeline there in road projects?
- A. Nithya:** In road projects, currently we have bid in Karnataka. It is not a NHAI project. It is a Karnataka State Ports and Inland Department, before we participated, we are expecting the technical evaluation is completed but the financial bid has to be opened will be by December 15, it may be opened, the size of project is around Rs.120 Crores.
- Varun Agarwal:** How many?
- A. Nithya:** Rs.120 Crores.
- Varun Agarwal:** Rs.120 Crores, okay and last question on you building segment, how are you seeing traction in that segment and what are the plans for that segment?
- A. Nithya:** Yes, with the introduction of affordable housing, lot of projects is coming in affordable housing, there is a good opportunity in housing, and we have to utilize this. Currently we are in L1 in Rs.90 Crores project in affordable housing in Karnataka also. See the Karnataka government floated around Rs.2400 Crores worth of ordering of affordable housing. We participated in three, but we are in L1 in only one project. In the same way, the same affordable housing schemes come in Tamil Nadu, Andhra Pradesh, Telangana everywhere and Madhya Pradesh also it is coming.
- Varun Agarwal:** So there also we have some criteria?
- A. Nithya:** Yes, it is there. If it is G+1 means you can participate in end number of projects up to Rs.150 Crores, we can participate as a single applicant, but if since we have not much experience in multistoried now

we are doing 74 project in Sri Lanka. Once it is completed, we can bid for the higher value projects. Until that time, we have to go on a JV project in a multistoried building.

Varun Agarwal: By what time we will be able to get this?

A. Nithya: By next September onwards, we can bid for multistoried building, till that time we can bid up to Rs.60 Crores or so.

Varun Agarwal: Got it. Okay. Thanks Madam. If I have any question, I will get back in the queue.

Moderator: Thank you. Next question is from the line of Nishna Biyani from Prabhudas Lilladher. Please go ahead.

Nishna Biyani: Really thankful for the opportunity. Madam, I have some questions related to one of your project, which is at Rs.190 Crores at this point in time. Just wanted to understand with this TWAD board project, which you have, what are margins? I understand you said that two years of the execution, what are the margins, which one can expect in this project?

A. Nithya: 15% to 18% we can expect. EBITDA margin of 15% to 18%, we can expect from this project.

Nishna Biyani: In the past, what I understand from the team is that we have never executed more than 50 or 100 Crores ticket size project, so this is one of the largest in terms of in the last four to five years of execution right?

A. Nithya: Yes. So we have executed Rs.50 Crores project of four projects in the same TWAD Board Department, we completed and commissioned. Commission is the important word we have to consider that. Completing the project is very easy, but commissioning the project is little bit tough, we commissioned the project in time that is one of major criteria that enabled us to participate in this project and running of this project is – because of that particular thing.

Nishna Biyani: So, how was the experience in terms of receivables in the earlier project, where they on time?

A. Nithya: First two projects it was a little bit tough since it is the time, the project is awarded with 50% of funding from Central Government and the remaining from the State Government. Once this new Central Government formed in 2013-2014 at that time they had cancelled that that particular type of funding is only for underdeveloped state, Tamil Nadu is not an underdeveloped state, so the particular funding is cancelled by the Central Government. At that time for one year we had a very bitter experience in that and after that we are very keen in taking the project, which is funded by NABARD or World Bank, then after that delay will be there, but it is a normal delay. The current project also funded by NABARD, it is through AMRUT scheme. So the payment is secured.

- Nishna Biyani:** I understand that Madam. The problem is not about payment; the problem is about the delay in the payment?
- A. Nithya:** The delay normally we calculate that three to four months delay will be there that we have to manage.
- Nishna Biyani:** Sure and when I look at your order book at Rs.1044 Crores, so what are the thoughts in terms of management minds, how do you fund the working capital requirement for this order size and for the growth, how you wish to fund it whether equity or what is the way for funding?
- A. Nithya:** For this order book of this size, whatever we diluted in the previous quarter and the bank supported in a very good manner this time, in last quarter we received all the enhancement in the form of non-fund base limit. So every project whatever coming under by this NABARD or World Bank is having the mobilization advance and apart from that where we have to book cash flow we are able to manage these things also.
- Nishna Biyani:** But how was the experience with the PSU banks, where you must be requiring a lot of working capital, so are they keen in lending at this point in time?
- A. Nithya:** Yes, but before March 31, 2017 we do not feel that we are able to get the funding from the banks, but after May, they are very good and wherever the bank I approach I got the enhancement also.
- Nishna Biyani:** Sure and one part which I just wanted to understand when we say that we bid at 15% to 18% margins and over the last five years when I look at the margin trajectory, it has been down and we are today at 14% for FY2017, just wanted to understand what are the views on margin front and again issues related to GST, are those resolved or there is still some confusion on that part?
- A. Nithya:** Related to EBITDA margin 14%, we are not taking only the pipeline projects, we are taking building and we are taking other infra projects also for the building, we normally have a very lesser margin. Normally, we have a lesser margin, it is a combination of all by combining all those things so became will be unable to maintain the EBITDA margin of 14% what was your other question around?
- Nishna Biyani:** Last time when we met, you were referring to some issues, which was pertaining to GST?
- A. Nithya:** The project currently awarded GST's is an extra it is more problem. The project which was awarded before the implementation of GST, if it is halfway through 20% completed, then also it is easy to fight with the department and we can bid it and we got that also, but if the project is 75% completed and it is in the final bill, if the stage is like that we see it a little bit tough to fight with the department to get back the GST implementation, etc. Still we are fighting, but the government has given, the Tamil Nadu Government, Karnataka everywhere they have given a notification saying that whatever the implication of GST will be refunded or reimbursed, which will be referred soon like that we received

a notification from the government, we are still submitting the bill with GST, some department is accepting that, some department still they are not accepting, they are giving the payment as an advance payment, returns are improving when compared to July, August, now it is little bit better.

Nishna Biyani: Sure and Madam one last question from my side, when you look at the big announcement, BJP Honchos going in Tamil Nadu and giving so much of, first time we are seeing center also getting committed towards Tamil Nadu, how do you see this development and when I look at your order book already you have 2-2.5 years of visibility, so where does R.P.P. fit in terms of taking in more orders?

A. Nithya: Definitely. Since roadwork, lot of roadwork's it is Rs.1600 Crores, they are going to spend in converting the four lanes to eight lanes, two lanes to four lanes like that. Apart from that about 1300 km stretch of 4 to 5 km is going to be upgraded into National Highway where we have more opportunity to R.P.P. Post this 1 lakh Crores if R.P.P. is going to bid for at least 10000 Crores, we may get at least 2% of the 1000 Crores. We are very hopeful on that and we are eligible to bid also.

Nishna Biyani: Sure. So what should be the guidance for FY2018 and FY2019 in terms of revenues, next two years, what do you foreseeing in terms because of your current order book, how is the execution for the next two years?

A. Nithya: For FY2018, we are around Rs.475 Crores to Rs.500 Crores and for FY2019 we are expecting around Rs.650 Crores and our FY2020 target is very high, but the target should be always high. It is Rs.1000 Crores. In the same way our order book is improved in the current year, if the same way continues definitely we will reach the Rs.3000 Crores in 2020.

Nishna Biyani: Super Madam. All the best to you. Thanks.

A. Nithya: Thanks.

Moderator: Thank you. Next question is from the line of Ajay Bodke from Prabhudas Lilladher. Please go ahead.

Ajay Bodke: Good afternoon Madam. You just mentioned about the estimated revenues for the current year and next couple of years, in terms of margin guidance, would it be possible indicate broadly what kind of margins are you estimating for the current year and next financial year EBITDA margins?

A. Nithya: EBITDA margins we are expecting at least 14 to 14.5 we can maintain the same margins.

Ajay Bodke: Okay, this is for the current financial year?

A. Nithya: Current financial year.

- Ajay Bodke:** Going away, do you foresee possibility of an improvement?
- A. Nithya:** The same thing can be maintained. It will not go below 13.5 but from 13.5 to 14.5 we can maintain this. Even if the payment cycle is improved, we may see the progress, which may result in the cheaper purchase, which may also result in the sharp increase in EBITDA margin.
- Ajay Bodke:** Okay. Thank you, Madam.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand over the phone back to Mrs. A. Nithya for her closing comments. Over to you, Madam!
- A. Nithya:** Thank you everyone for joining us for the call. Please connect to Stellar IR, our Investor Relation Advisors for any further queries. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on the behalf of R.P.P. Infra Projects that concludes this conference call. Thank you for joining us today. You may now disconnect your lines.