



RPP Infra Projects Ltd

Monday, 21st May, 2018

Corporate Relationship Department
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Rotunda Building, P.J.Towers,
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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),
Mumbai - 400051.
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 16th May, 2018 post declaration of the Audited Financial Results for the quarter year ended 31st March, 2018. 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
RESPONSIVE PRUDENT PROFITABLES

**“R.P.P. Infra Projects Limited
Q4 FY2018 Earnings Conference Call”**

May 16, 2018



R.P.P. Infra Projects Limited
RESPONSIVE PRUDENT PROFITABLES



MANAGEMENT:

**MRS. A. NITHYA - WHOLE TIME DIRECTOR – R.P.P.
INFRA PROJECTS LIMITED**



Moderator:

Ladies and gentlemen, good day and welcome to the R.P.P. Infra Projects Limited Q4 FY2018 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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 Mrs. A. Nithya, Whole Time Director from R.P.P. Infra Projects Limited. Thank you and over to you Madam!

A. Nithya:

Good evening everyone and a warm welcome to R.P.P. Infra Projects Q4 FY2018 Earnings Conference Call. I have with me Stellar IR, our Investor Relation Advisors. The investor presentation is uploaded on the exchanges and I believe you all had a chance to look at it. I would like to remind you that anything that is said on this call and any outlook for the future, which can be constructed as a forward looking statement and be viewed in conjunction and uncertainties that we faced. The statements are not the guarantee for future performance and involved risk and uncertainties that are difficult to predict.

In the year ended March 2018, we have achieved our guidance of Rs.500 Crores topline along with an EBITDA margin of 14%. Our effort towards managing the receivable cycle is paying off with the receivable days reducing to around 123 days in FY2018 as compared to 183 days in FY2017. The company is concentrating more on collection, the payments being released faster post implementation of GST. Current order book is around 1175 Crores out of which water segment is around 23%, infra is around 49% and building contribution is about 28%.

We have participated in various orders with an estimated pipeline of around Rs. 1000 Crores of which we are in L1 of around 280 Crores. We expect this to be awarded in coming months. In FY2018 NHAI has awarded almost 150 road project for constructing about 7400 km of highway, which is all time high by NHAI since its inception in 1995. To capitalize on this opportunity we have renewed our focus on road projects and we have been awarded a worth of Rs.282 Crores of order in Maharashtra. We are also exploring new geographies for growth opportunities.

Government vision of housing for all has brought a lot of opportunity in building segment. We are continuously looking for opportunities in these segments and have recently received an order worth of Rs. 119 Crores in Erode, Tamil Nadu. Our focus though will be to bid for more number of water management project as we have much experience in the segment, which has a better EBITDA margin as compared to other segment.

Coming to our financial performance, our disciplined execution has helped us to generate consistent EBITDA margin of around 14% to 15% over 5 last year, which we expect to maintain the same range



for the coming year. In Q4 FY2018, the company reported revenue of 142 Crores 20% year-on-year growth as against Rs.118 Crores in Q4 FY2017. Revenue during FY2018 was at Rs. 499 Crores a growth of 36% year-on-year as against Rs. 366 Crores in FY2017. EBITDA during Q4 of FY2018 was at Rs.20 Crores against Rs.15 Crores in the same quarter previous year, a growth of 37% year-on-year.

In FY2018, the company reported an EBITDA of Rs.72 Crores against Rs.53 Crores in FY2017 a 35% year-on-year growth. During Q4 FY2018, the company reported a PAT of Rs.9 Crores against 8 Crores in Q4 FY2017. During FY2018, the company reported a PAT of Rs.14 Crores against Rs.24 Crores in FY2017, a drop of 42% year-on-year. This drop was due to the payment of 17.96 Crores in Q3FY2018 towards income tax and interest to resolve pending income tax dispute for the year FY2010-FY2016 in Q3FY2018. Adjusted for the same we met our profit target for the year. On revised PAT by taking out of the IT payment the total PAT is around 31.96 Crores in FY2018 against Rs. 24 Crores in FY2017. That is all from my side. We can now open the floor for question and answer. Thank you.

Moderator: Thank you madam. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from Kunal Sheth from Prabhudas Lilladher. Please go ahead.

Kunal Sheth: Good evening madam and congratulations on a very good set of numbers. I just wanted to know we have mentioned that our receivable days have come down to 123 days and while one of the reasons is more focus on collections, so I just wanted to know what has changed in terms of while we are focusing more on collection has there anything changed structurally in terms of how payment is being made or how you work and are this kind of improvement sustainable?

A. Nithya: Yes, definitely it is sustainable and for the past two quarters the money has been stuck in GST, which is released since we are working with the government department there is no clarity for the past two quarters. Now some departments had come forward with the clarity, so the money, which is stuck in departments get released and the other is because of introduction of GST the department is paying faster, once the bill is submitted they are paying and we also changed our methodology of working. We are giving more importance for receiving the payments. The execution is done in parallel. Along with the execution the collection of payment is one of the part of the processes of execution we consider like that. This has been adopted to one year itself, but it comes in full swing in this year.

Kunal Sheth: I just wanted to check with you, what kind of improvement can we expect next year in our receivable days and overall working capital days?

A. Nithya: The working capital cycle is now reduced and apart from that new works what we have taken is also having a good repayment method. By that way now we are in 123 days, we are expecting and we are



trying hard to get the payment 10 to 15 days before that itself, so in current year we can expect the receivable days will be reduced by another 10 to 15 days.

Kunal Sheth: You said some of the works, which we have taken are at a better working capital terms, so has that also partly contributed to improvement in working capital in the current year because I remember last time you are mentioning that the incremental orders that you are taking are at a better working capital terms, so if you can throw some light or sense in terms of how much of these new orders are contributed to current year's execution and therefore led to improvement in working capital cycle?

A. Nithya: Whatever, the works awarded in December and January last quarter receivable is around Rs. 140 Crores in that around 25% to 30% is from new orders and normally in the last quarter all the payments will be paid by the government department. This is one of the reasons why my working capital receivables being reduced, so it has happened here.

Kunal Sheth: What kind of order flow growth and execution growth are we looking for in FY2019?

A. Nithya: For FY2019 our target is around Rs. 700 Crores, the topline target is around Rs. 700 Crores and apart from that we are LI in another Rs. 280 Crores worth of order we are in LI and the remaining order whatever we participated is not yet opened and by this year end we are trying to be around Rs. 1600 Crores will be the order book in FY2019.

Kunal Sheth: EBITDA margin will be in this 15%?

A. Nithya: Yes, definitely.

Kunal Sheth: Sure Madam. I will get back into the queue for more questions.

Moderator: Thank you. Next question is from the line of Debashish Mazumdar from Edelweiss. Please go ahead.

Debashish Mazumdar: Thank you very much for having me and congratulation on the very good set of numbers. Madam, you just answered about the receivable days and so would it be like when you are moving out of Tamil Nadu and other southern part of the country is it like in other states the payment cycle is better or it is like across the states you are seeing the improvement in payment cycle?

A. Nithya: We are seeing that the payment cycle is almost same whatever we are getting in Tamil Nadu the same is anywhere in India, but in Tamil Nadu for the last one year because of death of old CM and new CM because of all these issues the payment has been stretched for the past one year, otherwise it is normal. Apart from that now we had taken project in Maharashtra. We are moving towards north and before that we had already working in Madhya Pradesh. Because of the introduction of GST may little bit improved, the payment cycle and our working methodology has also been improved and apart



from that we are taking project only with whatever the project is funded by NABARD or ADB or World Bank that may be one of the reasons why our payment stuck for long time.

Debashish Mazumdar: In FY2017, in the previous year what was the stuck amount that you had in the receivable and is the complete money is with you right now or just still some money is left?

A. Nithya: Yes, partly it has received.

Debashish Mazumdar: Still something pending with the government authorities?

A. Nithya: Yes, something is pending. In any agreement if the quantity whatever we executed crosses the agreement value then it goes to the higher official for signing everything, so it will take minimum one year.

Debashish Mazumdar: Understood and as you have guided for FY2019 Rs. 700 Crores are we still sticking with the FY2019 guidance of Rs. 1000 Crores revenue?

A. Nithya: Yes, definitely. If we achieve Rs. 700 crore in FY2019 then it is easily achievable in FY2020.

Debashish Mazumdar: And to achieve the Rs. 700 Crores in FY2019 and FY2020, you need to have more than Rs. 1000 Crores of order inflow to be added in each and every year of FY2019 and FY2020, are we like sufficiently financed and sufficiently equipped management bandwidth wise and finance wise to go for chase for this kind of order book aggression going forward?

A. Nithya: Yes, management bandwidth it has already been expanded that and we are in the process of expansion and regarding finance we had already submitted the enhancement in banking facilities since we are dealing with government departments most of the things we have to submit non-fund based limits, so we had submitted proposal for that and apart from that the department is having mobilization advance facilities so by utilizing that we can manage.

Debashish Mazumdar: What is non-fund based limit we have currently madam?

A. Nithya: It is around Rs. 167 Crores.

Debashish Mazumdar: Rs. 167 Crores and what is the kind of margin money we need to submit for this, our margin limit for that?

A. Nithya: In one bank it is 10%, the other bank it is 15%.

Debashish Mazumdar: So, it would be around 10% to 15%?



A. Nithya: Yes, 10% to 15%.

Debashish Mazumdar: And earlier there was a talk that we may go for QIP for chasing the growth, so are we still sticking on that?

A. Nithya: Yes, it is in progress.

Debashish Mazumdar: Any specific timeline for that?

A. Nithya: It may happen by June end.

Debashish Mazumdar: Thank you very much for answering my questions.

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

Ajay Bodke: I think all the questions have been answered.

Moderator: Thank you. Next question is from the line of Arpit Jain from Finception Capital. Please go ahead.

Arpit Jain: Madam, first of all congratulations on a good set of numbers. I had a question regarding the order book. Our order book has grown healthily over the past few quarters to about Rs. 1200 Crores now, based on the current pipeline and the L1 status projects can you advise something where will the order book be in the next 6 to 12 months?

A. Nithya: By FY2019, after execution of the works we expect the order book will be in Rs. 1600 Crores to Rs. 1800 Crores like that.

Arpit Jain: And is there any guidance on the EBITDA level expected out of this pipeline?

A. Nithya: If we are behind the orders we will definitely, there is a great opportunity given by NHAI in the last quarter too many projects have been floated. If we are so aggressive means we can get the orders easily, but we have to maintain the EBITDA margin because of that no aggressive bidding is there, so I am confident that we will maintain the same EBITDA margin of 13.5% to 15% will be maintained in the future also.

Arpit Jain: So, 14% to 15% or can we expect any improvement as then, is there a positive upside expected?

A. Nithya: No, it should be positive, but this is the minimum guarantee I can give.

Arpit Jain: Got it. Thank you.



- Moderator:** Thank you. Next question is from the line of Viral Shah from Emkay Global. Please go ahead.
- Viral Shah:** Good evening madam. Congratulations on good set of numbers. I have just a couple of questions. You just mentioned that there has been a change in method of repayment basically that is the reason why your working capital has improved significantly, can you elaborate what has been the difference between the old contract and new contract as of now and give some more clarity on that?
- A. Nithya:** Please repeat.
- Viral Shah:** Basically the working capital cycle has reduced significantly right?
- A. Nithya:** Yes.
- Viral Shah:** And just one of the reasons attributed to this is mainly because the contracts, which you used to bag and now that has changed right, so wanted to understand what is the main reason or could you elaborate on your working capital getting reduced significantly, what could be the reason for that?
- A. Nithya:** A part of long outstanding is released because of that by taking it as an average nominal amount is released that is one of the reasons the working capital days have been reduced and apart from that the methodology of collecting payment is changed from management side and in the last two quarters in the old projects the GST is not implemented. For that old project the GST implementation is kept pending for the last three quarters and it is working with the 10 departments around four departments comes with the clarity about the GST so they released the payment.
- Viral Shah:** Yes, agreed, so in terms of methodology of your working style just could you elaborate what was differently now and what was earlier the difference in terms of your collection or your billing cycle has changed, so could you elaborate more on that, what was the earlier and what is now currently that would be helpful to understand?
- A. Nithya:** Earlier two years before and all only the execution of the project is most important for us. We does not bother about the receivables and at that time the order book is also very small and so we are able to do that, but now since the order book is growing in one side so we need the fund instead of continuously working for the non-paid department we slow down the work and get the payment from the department, the equal importance is given to receiving payment also. That is the most important step we had taken.
- Viral Shah:** Agreed, got it Madam and secondly in terms of pipeline what is the bid pipeline as of now it is Rs. 3000 Crores or Rs. 1000 Crores?
- A. Nithya:** No, as of now it is Rs. 1100 Crores in that Rs. 280 Crores is in the L1 position.



- Viral Shah:** And which segment is this the L1?
- A. Nithya:** It is one road and another is the industry building.
- Viral Shah:** Fair enough and all the best.
- Moderator:** Thank you. Next question is a follow up from the line of Arpit Jain from Finception Capital. Please go ahead.
- Arpit Jain:** Madam I wanted to understand a little bit about the margins of the project with reference to the size of the project. I wanted to understand like where do we have higher EBITDA margins is it there in the bigger projects like Rs. 250 Crores, Rs. 300 Crores projects or the Rs. 100 plus Crores projects?
- A. Nithya:** No, the size of the project is does not the matter. The profit depends upon in which sector we are working. For water management sector, which includes the irrigation projects and pipeline project, which is having higher margin, it is around 15% to 18% will be the EBITDA margin. Next to that, that is infra. In infra, the road and factory buildings, industries everything will be included, which is 12% to 15% margin and the last is the building project. Building is residential building, which is around 9% to 10% will be the margin.
- Arpit Jain:** But within an industry is there any correlation between the size of the project and going through some fixed cost or something else?
- A. Nithya:** It is not like that.
- Arpit Jain:** Not like that.
- Moderator:** Thank you. Next question is from the line of Alok Deora from IIFL Wealth. Please go ahead.
- Alok Deora:** Good evening. Just one question I had, in the road segment what is our eligibility to bid, how big a project we can bid for single project?
- A. Nithya:** As RPP alone can bid up to Rs. 200 Crores and in JV with any other company we can bid up to Rs. 450 Crores with RPP as a lead.
- Alok Deora:** Right, just wanted to understand because the project pipeline, which we have expected to see would be largely driven by big ticket project especially from NHAI, so would we be eligible or would we be mainly getting projects from the ministry side, which would be slightly smaller ticket projects?



- A. Nithya:** Any project, which is of value between Rs. 150 Crores to Rs. 250 Crores we are eligible to participate and in current year we are also aiming for that kind of project. If it is more than 250 Crores then we can go with JV and we can bid, up to Rs. 450 Crores we can bid.
- Alok Deora:** So, do we bid significantly in the fourth quarter for these NHAI projects?
- A. Nithya:** Yes, fourth quarter is the golden period, so we had bidden large number.
- Alok Deora:** How much we won in the road segment?
- A. Nithya:** In the road segment we had won about Rs. 280 Crores. We won the project and apart from that another Rs. 220 Crores is in L1.
- Alok Deora:** That is NHAI project?
- A. Nithya:** It is not NHAI, payment is from NHAI, it is from Maharashtra PWD and Maharashtra MSRDC.
- Alok Deora:** Madam this year we are targeting how much of order inflow because you mentioned around to close the order book at around close to Rs. 1600 Crores to Rs. 1800 Crores and we are also looking at execution of nearly Rs. 700 Crores so that means we are looking at quite a healthy order inflow?
- A. Nithya:** Yes, Rs. 800 Crores to Rs. 900 Crores we are expecting by this year.
- Alok Deora:** Right. I think slightly more than that, so which segment we are primarily aiming to get this project?
- A. Nithya:** Actually our good experience is in waterline and irrigation project, since the EBITDA margin is also very good and the competition is less so we are keen on participating on that project. Apart from that the government had floated many projects in NHAI, so our interest is on NHAI also, so we decided to participate in these two segments, apart from that if affordable housing project comes within good numbers then we can participate.
- Alok Deora:** Right, so the mix would be largely driven by road segment and the irrigation or like that?
- A. Nithya:** Yes, definitely.
- Alok Deora:** That is all from side. Thank you.
- Moderator:** Thank you. The next question is from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.



- Subramaniam Yadav:** Madam, just wanted to understand that this MSRDC project and PWD project, are this rigid pavement or flexible pavement?
- A. Nithya:** It is an EPC stage wise pavement.
- Subramaniam Yadav:** No, pavement I am talking, is it cement road?
- A. Nithya:** Sorry, it is a cement concrete road.
- Subramaniam Yadav:** Cement concrete road both the project, Madam?
- A. Nithya:** Yes, both the project and the project, which we are LI is also.
- Subramaniam Yadav:** So, it is similar to what we were earlier doing in the rural road kind of a thing, right?
- A. Nithya:** Yes, in Madhya Pradesh what we are doing.
- Subramaniam Yadav:** Going to the NHAI project because earlier also we were looking at some few projects in Tamil Nadu also, but we could not win that last year, but are we still looking to bigger size project or may be Rs. 400, 500 odd Crores kind of a project?
- A. Nithya:** No, whatever the project we are looking at that time is HAM project. At that time based on our balance sheet we are not able to manage HAM project at that time, so we are not concentrating on HAM project, we are concentrating only on EPC project.
- Subramaniam Yadav:** Currently, only on EPC project?
- A. Nithya:** Only on EPC.
- Subramaniam Yadav:** Madam, in case if we get any bitumen work would we need to do more capex because last year when I was looking at your balance sheet not much capex had been done, so incrementally if you are targeting road sector how much more capex would we like to invest in FY2019?
- A. Nithya:** Around 10% of the contract value we have to do, if it is in a bitumen road it may be more than that also since all the equipments are new.
- Subramaniam Yadav:** That is why I am asking. So, any order may be Rs. 200 odd Crores project we would win we need to do Rs. 20 odd Crores or Rs. 30 odd Crores kind of capex?



- A. Nithya:** For bitumen road, if we got the concrete road 5% is enough since already we are having the equipment.
- Subramaniam Yadav:** Out of the non-fund based limit of Rs. 167 Crores how much we utilized it?
- A. Nithya:** Around Rs. 155 Crores is already utilized.
- Subramaniam Yadav:** Rs. 155 Crores is already utilized?
- A. Nithya:** In the current year around Rs. 80 Crores will be released.
- Subramaniam Yadav:** Great Madam. Thank you Madam.
- Moderator:** Thank you. Next question is follow up from the line of Kunal Sheth from Prabhudas Lilladher. Please go ahead.
- Kunal Sheth:** Madam, just wanted to check we had a promoter loan that was in the company, so where is it sitting in the balance sheet and then what are our plans, are we planning to convert it into warrants?
- A. Nithya:** Yes, definitely. It is sitting in the Other Current Financial Liability.
- Kunal Sheth:** And what is the amount Madam?
- A. Nithya:** It is around Rs. 65 Crores. In the current year we had a plan of converting into equity.
- Kunal Sheth:** So, that is we will issue warrant?
- A. Nithya:** Yes, it maybe in warrant.
- Kunal Sheth:** And the cash balance has gone up significantly to Rs. 80 Crores is that is a reflection of the promoter loan coming in or is there any?
- A. Nithya:** No, it is not like that. All the payments will be on the payment and cheque everything is deposited on March 31, 2018; otherwise the other deposits are more or less same as like the previous year. All the payments have released on March 31, 2018, so we are not able to use it.
- Kunal Sheth:** Madam, based on our current year's requirement we are looking at bagging almost Rs. 1200 Crores worth of orders, so would we need to enhance our limits or since you said Rs. 80 Crores will be released from our non-fund based limits of Rs. 167 Crores it will be more than sufficient to tied us through this year?



- A. Nithya:** No, we have to enhance the limits since for pipeline project all the purchases has to be done either by the way of bank guarantee or by the way of LC, so we need the limits. The enhancement has already given to all the banks; it is in process now we have to increase. Since previously for all the road projects the liability period we can retain the bank guarantee department for project period plus one year as a liability period, but now it has changed as project period plus two year liability or three year liability so our bank guarantee will be retained in the department for three to four years so we need the limit even though we completed the work in time two more years it will be lie in the department so we need more bank guarantee to do the next business.
- Kunal Sheth:** Madam, how much have we asked for enhancement from Rs. 167 Crores?
- A. Nithya:** Around Rs. 60 Crores the application has been given.
- Kunal Sheth:** And that must be backed by that promoter loan, so that Rs. 60 Crores should be easily approved right or do you see?
- A. Nithya:** Since our performance is also improved it should be approved.
- Kunal Sheth:** Sure Madam. Thank you so much.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mrs. Nithya for her closing comments. Over to you Madam!
- A. Nithya:** I believe that our renewed focus on road, in affordable housing along with execution experience will take the company and our stakeholders to new growth trajectory. Please connect to Stellar IR Advisors for any further queries you may have. Thank you.
- Moderator:** Thank you Madam. Ladies and gentlemen on behalf of RPP Infra Projects limited that concludes today's conference call. Thank you for joining us. You may now disconnect your lines.