

A decorative graphic consisting of a white curved line that starts from the bottom left and curves upwards and to the right, ending in a red circle with a white arrow pointing right.

Dynamic Diversified De-risked

RPP Infra Projects Limited
Annual Report and Accounts 2018-19

Our investment case

DYNAMIC

Strong infrastructure industry experience

Consistent order book expansion

Specialist teams with proven expertise

DIVERSIFIED

Multi-segment, multi-disciplinary offerings

Expanding presence in India

Growing footprint abroad

DE-RISKED

Regional operating model enabling scale and increased opportunities

100% government orders

Cohesive group values and compliance rigour

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SHAREHOLDER SERVICES

Proxy form
Attendance slip
AGM venue route map



Download the digital version of this Annual Report from our website: www.rppiil.com

Performance preview

RPP Infra Projects is India's premier infrastructure development company with experience spanning several years. The company possesses specialised turnkey capabilities in the construction of highways, roads and bridges and in water management, irrigation and power projects. It has successfully completed several prestigious projects across various States in India. The company also has a presence in the fast-growing markets of Bangladesh, Sri Lanka and Africa.

Operational progress, fiscal-19

- Year-end order book size of ₹1,944.25 cr, an increase of ₹768.89 cr over previous year-end
- L1 status in projects worth ₹480.29 cr as on fiscal-end
- Launched presence in Gujarat through order wins from the Gujarat Water Supply & Sewage Board
- Bolstered presence in Maharashtra and Madhya Pradesh through new order wins
- Hired specialists with core engineering and project administration expertise

Financial progress, fiscal-19

Order book up
65.42% to ₹1,944.25 cr

Revenue up
16.34% to ₹580.69 cr

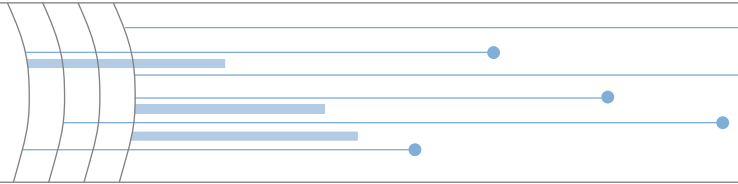
EBIDTA
₹61.97 cr

EBIDTA margin
10.67%

Earnings per share
₹10.77

MCap
₹257.64 cr (year-end)





Matters material to our performance

Operating in a dynamic industry environment, some of our material matters include strengthening our core competencies to reinforce customer trust, and providing our talent with a challenging and inspiring workplace. Effectively, our material matters are central to our strategy of generating sustainable value for all those associated with us.



Our construction competence



Our expertise and competence in construction underpins the sustainability of our enterprise. Our multi-decade experience has positioned us well to engage in diverse projects located across multiple geographies and complete them within schedule and to the satisfaction of our clients. This has expanded our ability to retain customers, while also enlisting new ones.

Securing access to a larger and more diversified project portfolio is key to our success, and our focus continues to be anchored on developing the quality of our manpower and bolstering the resilience of our operations.

35.23% order book CAGR FY17-19

Regional operating strategy



Our strong familiarity in the fast-growing regions of India represents the cornerstone of our regional operating strategy, providing us with increased opportunities that have enabled scale build-up. Also, consolidation of experience and a maturing industry has aided our regional operating strategy.

To unlock growth for our company, we are deepening penetration in existing regions, while also focusing on opportunities outside of our current markets. With the government focusing on increased and more effective infra spending, our rich experience with the public sector opens up new opportunities and helps secure long-term growth.

16.60% revenue CAGR FY17-19

Competitive pressures



A focused operating model, competitive regional positioning and strong customer (government) relationships has enabled us to create a differentiated industry standing. We are also proactively building on our competitive advantages to further ring-fence the long-term sustainability of our enterprise, while also protecting our margins and cash flows.

Being a registered contractor with a number of public sector departments enhances our competitive positioning. Furthermore, years of project execution and supervision experience has provided us with the skills and knowhow to complete diverse contracts within schedules and budgets, which has made us a preferred partner for our clients.

9.82% operating profit CAGR FY17-19

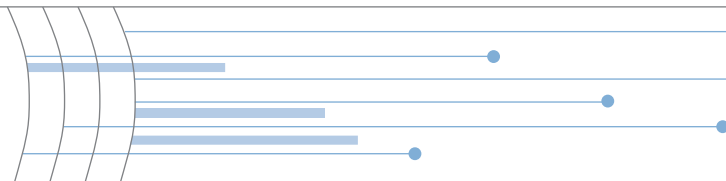
Talent and manpower planning



Entrusting prestigious multi-crore projects to our people requires that we hire the right set of employees and provide extensive training to ensure that they put the highest levels of expertise and professionalism to work. Aligned with our growth strategy, we invest in our teams to ensure alignment with what our customers expect of us.

As part of our human resource development initiatives, we ensure that our people are empowered and accountable to deliver their best. This facilitates retention of key talent, while also enabling us to sustain a lean and productive organisation. Furthermore, our values-based culture ensures compliance rigor.

250+ strength of our workforce



Letter to shareholders



Dear shareowners,

It gives me pleasure to welcome you to our Annual Report for the financial year 2018-19. I am happy to report yet another year of strong performance of the Company, bolstering our position as a niche, regional infrastructure development enterprise that is set to scale.

P. Arulsundaram

CHAIRMAN & MANAGING DIRECTOR

The financial year 2018-19 was not among the best for the Indian construction sector, despite continued government thrust on infrastructure development. The national elections, which were due in the first quarter of the current financial year, created a somewhat uncertain political environment, which partially impacted the sector during the last two quarters of fiscal 2019. India's economic growth slowed to around 7% in 2018-19. Furthermore, the liquidity crunch ensuing debt default by a NBFC major also significantly impacted the overall market sentiment during the year.

However, the formation of the central government with a decisive mandate for the second time has infused optimism in the market and the industry. The country is also on the path to stabilisation post the disruptive impact of the twin major financial and taxation reforms of demonetisation and GST. Moreover, the Government's initiatives towards resolution of stressed businesses under the Insolvency & Bankruptcy Code (IBC) and stringent NPA provisions, bank re-capitalisation has also started giving favourable impetus to the economy. We believe that the strong political

leadership at the centre will yet again re-ignite and propel the country's economic growth and prosperity through laying significant emphasis on the infrastructure sector. This can be inferred from the speech made during the presentation of the interim budget. While presenting it, Mr. Piyush Goyal quoted, "Infrastructure is the backbone of any nation's development and quality of life."

In tune with the promise of bringing forth revolutionary infrastructural changes, the interim Budget allocated a sum of ₹4.56 lakh cr for roadways, railways, shipping and aviation. The roadways sector was allocated an increased sum of ₹83,015 cr, with the Government renewing its pledge to bring connectivity to every unconnected village. Furthermore, an upgraded allocation of ₹19,000 cr was earmarked for rural roads development, under the ambit of the Pradhan Mantri Gram Sadak Yojana (PMGSY).

Your Company is poised to significantly benefit from the various opportunities available in its areas of operations, owing to the importance accorded by the centre to all the core infrastructure sectors. As of now, your

Company is present in 10 States and three countries with an order book consisting of 100% government orders. The order book value stood at ₹ 1,944 cr at the end of the financial year under report.

Performance review

Your Company achieved yet another year of outstanding performance, meeting the revenue guidance it had set.

Given the last year of the elected central government, and national elections during the first quarter of 2019-20, the economy was subdued, especially during the last quarter of 2018-19. Besides, due to the code of conduct coming into effect from the time of notification of the elections, the Company, operating predominantly under direct government contracts, faced a challenging time during the intervening period.

However, reinforcing its competitive advantage, your Company continues to be driven by its set strategy of being in the fastest growing spaces with the safest customer. I am happy to state that your Company achieved its revenue guidance target, despite a challenging business environment.

Your Company posted total revenues of ₹581 cr in 2018-19, as compared to ₹499 cr in 2017-18, registering an increase of 16.30%. EBITDA for the year stood at ₹62 cr, as compared to ₹66 cr recorded in 2017-18, reflecting a reduction of 6%. Profit before tax for 2018-19 stood at ₹41 cr, as compared to ₹47 cr achieved in 2017-18. Profit after tax stood at ₹24 cr for the year under review, as compared to ₹32 cr in 2017-18, not taking cognisance of the special adjustment of tax expenses of ₹18 cr to resolve pending IT disputes from financial years 2010 to 2016 booked in financial year 2017-18. The reduction in EBITDA, PBT and PAT was largely owing to an alteration in the billing pattern during the year to stage-wise completion vis-à-vis item-wise completion followed in the earlier years. The impact comprised additional cost booking to the extent of ₹14 cr during the year, without consequent revenue booking.

On the operational side, I am happy to inform that your Company made an entry into the states of Jharkhand and Gujarat. The Company is widening its footprint and increasing its presence in Maharashtra, while also focusing on Madhya Pradesh, for achieving greater geographic diversification. Your Company is focused on targeting new geographies for future growth and at present, it has a presence in 10 States, apart from international presence in Sri Lanka and Bangladesh.

During the year, your Company continued pursuing its strategy of being a pure-play EPC enterprise with a sole focus on government projects, and the current order book comprises only public sector contracts.

Your Company continues to have a diversified presence in highways, roads and bridges and civil construction in water management, irrigation and power projects. The Company also

continues to be driven by the strategy of focusing on small government projects with short tenures, with its superior project execution skills providing strong revenue visibility. Achieving fast project turnaround remains the core guiding principle of your Company.

Outlook

The year 2018-19 saw the Indian economy yielding the benefits of structural reforms, viz. GST, demonetisation and IBC. The new government received a resounding mandate in the general elections. With the uncertainties now behind us, the country can re-focus on its primary goal of building a new inclusive future for all its citizens. We look forward with optimism to the new political leadership, which has a clear vision, maturity and the resolve to achieve sustainable growth and prosperity.

Announcing a large corpus in the interim Budget to signal seriousness in the development of infrastructure, the government has prioritised its focus on the sector. Furthermore, rural road development has also become an area of emphasis. Also, the government's aggressive focus on affordable housing, river inter-linking and on irrigation provides huge foreseeable opportunities for your Company.

A growing economy with urbanisation at its core is attuned to support the country's infrastructure and construction sectors. This is aided in no small measure by favourable structural policies. Besides, legacy and legal reforms by streamlining and easing environment and green clearance approvals, along with new arbitration guidelines framed to assist in the speedy resolution of pending claims, is bound to speed up project execution, thereby improving cash inflows.

Your Company continues to be a pure EPC project developer, and its focus remains on the three segments of building, water management and roads and bridges/infrastructure, with infrastructure constituting over 43% of the order book.

Your Company will continue to remain focused on enhancing operational efficiencies, utilising all established norms. We continue to follow the cycle of bagging small ticket projects with stringent onsite operational controls, which accelerates project completion, thereby enabling raising milestone bills faster to enhance liquidity. Your Company also utilises its large talent pool, along with cutting-edge IT tools and strategic sub-contracting, to achieve efficiency in operations.

Furthermore, your Company continues to identify and utilise appropriate geographical locations, which results in strong delivery even in tough environments. Similarly, a focused approach towards projects results in stable performance even amid tight liquidity.

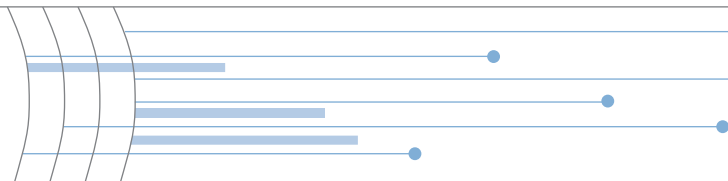
Before I conclude, I wish to sincerely thank our shareholders, lenders, vendors and all other stakeholders for their continued confidence and trust in the Company. I also acknowledge and thank fellow Board members and employees too for their invaluable support.

Your cooperation and confidence continues to motivate us to outperform every year.

Thank you for your continued support.

P. Arulsundaram
Chairman & Managing Director

29th May 2019



Value we've created

We generate value by achieving growth in our order book, while also ensuring that we fulfill our customer commitments. Our well-entrenched industry presence and strong regional familiarity support our ability to bag contracts and execute them within costs and schedules.



Investing in our business

We invested

₹31.16 cr

(2018-19) in capital expenditure, mainly in construction equipment and machinery, to further drive our competitive advantage.

Empowering our people

We distributed

₹9.42 cr

(2018-19) in salaries, incentives and welfare contributions to our employees.

Contributing to the nation's socio-economic growth

We contributed

₹16.70 cr

(2018-19) in corporate taxes, duties, etc., strengthening the government's resource pool in our own humble way.

Generating returns for finance providers

We disbursed

₹115.74 cr

(2018-19) in principal and interest obligations, maintaining our credit ratings.

Our strategic priorities

Our ability to generate value that meets the expectations of our stakeholders is underpinned by our key priorities, which include:

Reinforce customer relationships

Input

Deliver on our commitments with respect to quality, costs and timelines

Impact

A demonstrated track-record has enabled us to deepen customer relationships, resulting in consistent order booking

Enhance operational efficiency

Input

Build on our efficiencies to accelerate project turnaround and augment profitability

Impact

Our regional operating model helps achieve scale, and we're leveraging technology and strategic sub-contracting to achieve higher efficiencies and superior risk control

Achieve accelerated growth

Input

Focus on enlarging and diversifying our order book

Impact

Our non-south order book is expanding briskly, with contracts won in Gujarat, Maharashtra, Madhya Pradesh and Jharkhand

Bolster our reputation

Input

Emphasise on enhancing stakeholder relationships

Impact

Our license to operate depends upon our credibility, and we're ensuring extensive stakeholder engagement to bolster our reputation as a trusted and reliable partner in progress

Answering shareholder questions

Intensifying competition and cost pressures aren't temporary challenges. We've recognised these facts and have adapted our business model to the prevalent reality, which gives us the confidence that we're well-placed to create sustainable value for our shareowners and other associates.

A. Nithya DIRECTOR



What is RPP's strategy, relevant to the prevalent times?

We've got a clear strategy to differentiate our positioning, based on three pillars:

- Focus on contracts in the public sector
- Focus on small and short-tenure projects
- Focus on EPC contracts

The requisite investments in our equipment and machinery, and our efforts to diversify our order book with respect to sectors and operating regions, bolsters this strategy.

From a commercial perspective, our strategic pillars hold us in good stead. For one, government-backing in projects help secure our revenues and cash flows. It is times like today when the private sector is facing unprecedented liquidity crunch that validates our strategy of engaging in public sector projects only. Two,

bringing our multi-decade execution and supervision experience to projects that are relatively small in size and of shorter duration help in reinforcing our book-to-bill cycle, and in offering revenue visibility. Three, as a niche EPC business, we have secured a pure-play execution focus and not ventured into the risk-prone operations and maintenance parts of contracts.

A multi-disciplinary sectoral strategy and growing focus on bagging contracts in diverse geographies supports our outlook in sustainable value creation for our shareholders.

Book-to-bill ratio
3.5x

Debtor days
45 days

What were the important developments of the year?

Despite a tough operating

environment, also partly because of the run-up to the national elections in May 2019 during which period government expenditure slowed down, we delivered respectable performance. Undeniably, this performance was supported by our continued focus on our strategic pillars. We bagged consolidated orders worth ₹2,189.57 cr during the year, while completing projects of value of ₹245.31 cr. The net result was that our year-end order book expanded by 65.42% to ₹1,944.25 cr.

Changes in regulations enforced alterations in our billing cycle from item-wise completion earlier to stage-wise completion, which resulted in additional cost booking of ₹14 cr, without booking consequent revenue. This was the major factor that subdued our operating profit (EBIDTA), which declined by 6.2% to ₹ 61.97 cr. However, we expect normalisation of