

Building a sustainable legacy!



RPP Infra Projects Limited
Annual Report 2020-21

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Report scope

Our 2020-21 Annual Report aims to offer a comprehensive view of our performance for the financial year ending 31 March 2021, with a cover design that affirms our tagline of "Building a sustainable legacy". It conveys our view of an opportunity-filled future where infrastructure will be key for economic revitalisation.

Forward-looking statements

Certain statements in this report may be regarded as forward-looking statements or forecasts, but do not represent an earnings forecast or guarantee. Actual results and outcomes may differ materially from those expressed in or implied by these statements. All forward-looking statements are based solely on the views and considerations of the management.



Read this report online

The online version of our Company's Annual Report 2020-21 is available on our corporate website: www.rppi.com

Building a sustainable legacy!

In this challenging environment triggered by the Covid-19 pandemic, we adopted measures and initiatives from a position of strength and saw the crisis as an opportunity for growth, embracing innovations-driven transformation, enhancing competitiveness and fortifying our team to re-strategise new ways of doing things to ensure holistic sustainability.

Going forward, we believe our growth trajectory is anchored on sound fundamentals. Our diligence, integrity and persistent focus on sound business practices provide a solid foundation for our continued delivery of value in the long-term. Thus, we are positioned well to emerge stronger and believe that the best is yet to come.



Driving performance, preserving value



Vision

To be a global leader in the construction and infrastructure industry by continuously moving forward. To have international standards by adopting latest technologies, ideas and systems by creating quality-minded employees to deliver to client expectations.



Mission

- To perform exceptionally well in all aspects in the industry by providing innovative, reliable and high-quality services to our clients
- To develop highly trained and loyal employees who work as a team to anticipate, identify and respond to client needs



Business identity

RPP Infra Projects is a specialist infrastructure development Company diversified across projects in fast-growing spaces, such as industrial and buildings, infrastructure, and water supply and irrigation. As a prudent strategy, the Company takes up short to medium-tenure contracts backed by secured funding, which results in quicker project completion, faster equipment and manpower rotation and timely payment receipts.

Over

26 years

of business experience

More than

150

projects executed

Order book of

3,113 cr

Employee count of over

200

Historical financial highlights (Rs. in cr, unless otherwise stated)

	2020-21	2019-20	2018-19	2017-18	2016-17
Income from operations	477.90	575.69	580.69	499.13	366.34
Total income	489.10	585.31	589.39	505.47	369.45
EBIDTA	47.22	64.63	70.66	72.40	53.35
Interest	18.95	22.68	23.24	18.57	16.71
Depreciation	6.11	7.16	6.38	6.79	5.04
Tax	6.62	15.49	16.70	33.56	7.69
Net profit	15.53	19.30	24.35	13.48	23.91
Equity share capital	23.65	22.60	22.60	22.60	22.60
Networth	267.81	236.17	215.72	193.67	173.50
Gross fixed assets	94.94	96.99	89.92	62.88	58.61
Net fixed assets	46.99	51.83	51.74	30.23	32.22
Total assets	618.25	569.07	595.46	512.13	458.01
Book value per share (Rs.)	113.24	104.50	95.45	85.69	76.77
Turnover per share (Rs.)	20.20	25.47	25.69	22.08	16.21
Earnings per share (Rs.)	0.66	0.85	1.08	0.60	1.06
EBIDTA/Gross turnover (%)	0.10	0.11	0.12	0.14	0.14
ROCE (%)	0.14	0.22	0.26	0.35	0.28

Business appraisal by the Chairman

Driving performance, delivering value



Your Company continues to have a strong order book, which at the end of the financial year 2020-21 stood at Rs. 3,113 crore, as compared to Rs. 2,018 crore in 2019-20.

- P. Arulsundaram

Dear shareholders,

It gives me great pleasure to present the 26th Annual Report and annual performance of the Company for the financial year 2020-21.

Hope you are in good health, staying safe and practicing precaution.

Over the past year we have witnessed a pandemic crisis of the kind not seen in generations. Many people have suffered, including the loss of loved ones. From March 2020, due to the spread of Covid-19, it led to nationwide lockdown till June 2020. The restrictions thereafter continued for a fairly long time at various places, coupled with local lockdown and restrictions on travel. These restrictions severely impacted the life of individuals, the economy of the nation and the world as a whole.

Things were looking up and under control in the beginning of calendar year 2021, returning to normalcy. Yet, the second wave of the pandemic struck, affecting both life and the economy - from March till June

2021. Even at the local level, restrictions continue at various places till now.

During the pandemic, your Company took a number of initiatives and efforts to help and support people from underprivileged economic conditions, like daily-wagers and outside labourers.

During the unlock phase of the second wave, restrictions and guidelines laid down by the Government are still in force and things are far from normal. We are continuing to witness the new normal and the very concept of normal is getting re-defined every day.

The Government has taken vaccination at a great pace and it is a matter of appreciation to see the speed at which it is being implemented. Still, the challenge remains due to new variants being reported from various places across the globe. We also hear the challenges faced by many countries worldwide, including the developed ones. However, we hope that nationwide

vaccination will reduce the effectiveness of the virus and hope for early vaccination for children below the age of 18 years.

The Indian economy has been severely impacted in 2020-21. GDP growth was negative during the year, contracting by 7.3%. The first two quarters of the financial year were extreme, with negative GDP growth of 24.4% and 4%, respectively. It was only the third quarter where GDP witnessed a marginal positive growth of 0.4%, with the last quarter growing by 1.6%. Industrial activity also contracted during financial year 2020-21.

Last year, the Government announced multiple interventions to fuel the economy, like reduction in corporate tax rates, scheme to provide one-time partial credit guarantee, recapitalisation of public sector banks, relaxation of external commercial borrowing guidelines for affordable housing, setting up of a realty fund for stalled housing projects, merger of 10 public sector banks, etc.

The Government has also come up with multiple assistance schemes during the pandemic across the economic, fiscal and compliance segments. Further, in the last budget and during the recent times, the Government has renewed its thrust on infrastructure and housing. The speed at which various infrastructure works are being executed would have a cascading effect on the economy. The year 2020-21 also witnessed a major change in the monetary policy and the repo rate, which was cut from 4.40% in April 2020 to 4% in February 2021 as the economy was expecting a contraction in GDP during 2020-21.

In the Union Budget 2021, the Government has given a massive push to the infrastructure sector by allocating Rs. 233,083 crore (US\$ 32.02 billion) to enhance transport infrastructure. The Government also expanded the National Infrastructure Pipeline to 7,400 projects. Around 217 projects worth Rs. 1.10 lakh crore (US\$ 15.09 billion) were completed as of 2020-21.

With various initiatives and reforms of the Government and India's innate strengths, we feel that the economy is expected to make an impressive comeback from the next quarter. The IMF has forecasted GDP growth of above 9.5% for 2021-22 and we are also positive about the future.

Your Company continues to have a strong order book, which at the end of the financial year 2020-21 stood at Rs. 3,113 crore, as compared to Rs. 2,018 crore in 2019-20. The Company has been awarded various new projects in the financial year 2020-21, including in joint ventures. However, challenges remain, including those pertaining to liquidity and execution due to the continued impact and uncertainties created by the pandemic. Fortunately, your Company's contracts are from the Government, which is the safest customer and provides business stability even in the most challenging times. Further, given the importance laid by the Government on the infrastructure sector owing to it being a catalyst of growth, we expect that the Company would also stand to benefit, even as we look forward to a turnaround and improved performance by financial year 2021-22.

Business review

Your Company reported a mixed set of performance, with drop in revenue by 16.99% during 2020-21 and reduced profitability owing to the severe impact caused by lockdowns and mobility restrictions in the first two quarters. However, your Company achieved reasonable performance in the third quarter, which further improved in the last quarter of the financial year. However, with a strong order book, we are positive about the current financial year, though a part of the first and second quarter performance of 2021-22 was impacted by the second wave.

The networth of your Company increased to Rs. 267.81 crore as on 31st March 2021, as compared to Rs. 236.17 crore as on 31st March 2020. This was also owing to infusion of capital through preferential allotment.

On standalone basis, your Company's total revenue declined to Rs. 489.10 crore in 2020-21, vs. Rs. 585.31 crore in 2019-20. Total cost moderated to Rs. 466.94 crore in 2020-21, as against Rs. 550.52 crore in 2019-20. EBITDA for 2020-21 stood at Rs. 47.22 crore, as compared to Rs. 64.63 crore in 2019-20. Profit after tax stood at Rs. 15.53 crore, as compared to Rs. 19.30 crore in 2019-20.

On a consolidated basis, revenue stood at Rs. 524.33 crore in 2020-21, as compared to Rs. 607.96 crore in 2019-20. Total consolidated expenses stood at Rs. 502.21 crore in 2020-21, as against Rs. 574.31 crore in 2019-20. Profit after tax stood at Rs. 15.50 crore, as compared to Rs. 18.16 crore in 2019-20.

Your Company requires long-term resources to meet additional working capital requirements. Thus, your Company made preferential allotment of Rs. 36 crore in the last financial year and is proposing to have a rights issue in compliance with SEBI regulations of up to Rs. 48 crore.

Your Board has discussed the prevalent economic situation vis-à-vis the Company's fund requirements and have decided to conserve resources to meet the requirements and maintain liquidity. Accordingly, the Board has decided against the recommendation of dividend for the financial year ending 31st March 2021.

The Company continues to have a diversified presence in highways, roads and bridges and civil construction in water management, irrigation and power projects. The Company continues to be driven by the strategy of small and mid-sized Government projects with short tenure and its superior project execution capabilities provide strong revenue visibility. Further, fast turnaround remains to be the core principle of the Company.

Outlook

The Covid-19 pandemic and its fallout has made it difficult to forecast the future and timeline for normalcy with any degree of certainty. The second wave in May 2021 and new virus variants have created an unstable and cautious approach. However, we are hopeful that increase in vaccination and various efforts by the State and Central Government will boost the economy, thereby ensuring pick up in economic and business activity.

Your Company is positive about 2021-22. The country's GDP is expected to be around 9.5% for the year, as per the estimations of IMF, and we believe the vaccination drive will substantially lower the health and economic risks.

Your Company's total revenues in the first quarter of June 2021 was Rs. 121.79 crore, as compared to Rs. 74.45 crore in the June 2020 quarter. This was in spite of the second wave. We hope to continue to perform better every quarter and are committed to it.

Further, your Company is also hopeful that increased focus of the Government on infrastructure, along with the Company's robust execution capabilities linked to its emphasis on Government projects, would yield better results in the coming years.

In closing, I would like to thank all our customers, vendors and other stakeholders for the confidence and trust reposed in the Company. I acknowledge and thank Board members and employees for their invaluable support. This confidence continues to motivate us to outperform every year.

Thank you.

P. Arulsundaram

Discussion with the management



With proper labour management becoming a central part of our operational focus, we provided food and shelter to all who remained at our project sites during the closure period. ”

- A. Nithya



Q&A

Q. What was the operating environment like in 2020-21?

A. A once-in-a-lifetime crisis hit the global and Indian economy in 2020-21. The Covid-19 pandemic reached every corner of the globe and has impacted millions of people worldwide. Governments around the world responded rapidly to stem the health and economic impacts of the crisis. The responses however entailed difficult choices between saving lives and livelihoods, between speed of delivery and efficiency, and between short-term costs and long-term impacts. World gross domestic product fell by an estimated 4.3% in 2020, the sharpest contraction of global output since the great depression. Operating conditions in India were similar to what other companies and businesses faced worldwide in terms of stringent lockdowns that enforced a virtual standstill, with the result that construction at our sites had to face a temporary freeze, with re-mobilisation of the labour workforce being a challenge that we overcame successfully.

Q. How did we respond to the shutdowns triggered by the pandemic and subsequent lockdown release?

A. The Covid-19 pandemic and the commencement of the national lockdown starting from 26 March 2020 required a re-focused and concerted approach to our corporate strategy for the 2021 financial year. Thus, our short-term focus shifted to understanding the potential impacts of the pandemic on our people and our operations and to adopt stringent health and safety precautions on a prioritised basis.

With proper labour management becoming a central part of our operational focus, we provided food and shelter to all who remained at our project sites during the closure period, which comprised about 3-5 months. It is to the credit of our teams that we were able to successfully manage our workforce and keep them productively occupied in skill development and in ensuring personal hygiene and wellness, etc.

Furthermore, as part of our focus on relief efforts to the society to help alleviate the impact of the pandemic, we donated material and manpower to build an emergency 400-bed hospital within a compressed period of 45 days, a feat that was recognised in the Elite World Records, Asian Records Academy, India Records Academy and Tamilian Book of Records as the largest hospital building constructed by pre-cast concrete technology in the shortest period.

As lockdown restrictions eased, which led to progressive resumption of economic activity, our proactive management of the impacts of Covid-19 during the early stages of the 2021 financial year allowed us to shift our focus back to operationalising our sites and resuming work, all the while embracing all safety and health protocols.

Q. What safeguards did the Company take to protect from the negative impacts of Covid-19?

A. Like most other businesses, we focused on optimising our establishment expenses, which is foundational as it will help us yield sustainable cost savings down the years. Furthermore, we also focused on controlling our debt profile and strengthening our balance sheet by way of acquiring mobilisation advance from our customers, which is interest-free and helps in circumventing the need for the Company to invest upfront capital, which also leads to its release. While inflationary pressures did show up in the second half of the year, we focused on operational optimisation, bulk

procurements, payment re-negotiations, etc., to offset the challenges to some extent in a bid to protect our margins.

Q. What was our one key strategy during the year?

A. While there were several, the one stand-out strategic initiative was our emphasis on the effective and maximised utilisation of our machinery and manpower. Thus, we focused our attention on roads and highway projects, which enabled us to minimise the idling of costly and specialised machinery acquired in 2019-20. Moreover, we also continued to remain on the path of our time-tested strategy of execution of contracts backed by secure government/institutional funding.

Q. Please highlight the major projects bagged during the year?

A. We bagged 9 major projects during the year, which is reasonable considering that almost 25% of the year was in the shadow of the lockdown. Some of the key projects bagged included the upgradation of the Kanchipuram-Arakkonam-Thiruthani road section on EPC basis in Tamil Nadu worth over Rs. 359 cr, upgradation of the Cuddalore-Madapattu road section on EPC basis in Tamil Nadu comprising about Rs. 231 cr, upgradation of the Malliyakarai-Rasipuram-Tiruchengode in Tamil Nadu on EPC basis and maintenance of the entire road stretch, constituting over Rs. 199 cr, construction of integrated storm water drainage at the Kosasthalaiyar basin in the

extended areas of the Greater Chennai Corporation comprising Rs. 144 cr, etc. The project profile was relatively balanced across our three major divisions.

Q. What are the strategies the Company expects to take to emerge stronger in the post-pandemic world?

A. Our specialist experience and understanding of infrastructure development, including our ability to navigate through the challenges and complexities will position us well for the future. Besides, clients are showing preference for infrastructure players with a demonstrated track record in timely project completion, which again makes RPP well-placed for the future. Overall, we will continue with our focus on timely completion of our contracts, thus ensuring on-time payment receipts and hence building our liquidity and capital buffers. Our focus continues to be guided by our prioritised intent of creating value for our shareholders over the long-term.



Corporate Information

Board of Directors

Mr. P Arulsundaram, Chairman & Managing Director

Mrs. A Nithya, Whole-time Director & CFO

Mr. P R Sundararajan, Independent Director

Mr. P Muralidasan, Non-Executive Director

Mr. K Rangasamy, Independent Director

Mr. R Kalaimony, Independent Director

Audit Committee

Mr. K Rangasamy, Chairman

Mr. P R Sundararajan

Mr. P Muralidasan

Nomination and Remuneration Committee

Mr. P R Sundararajan, Chairman

Mr. K Rangasamy

Mr. P Muralidasan

Stakeholders' Relationship Committee

Mr. P Muralidasan, Chairman

Mr. P R Sundararajan

Mrs. A Nithya

Corporate Social Responsibility Committee

Mr. P R Sundararajan, Chairman

Mr. P Muralidasan

Mrs. A Nithya

Legal and Finance Committee

Mr. P R Sundararajan, Chairman

Mr. P Muralidasan

Mrs. A Nithya

Share Allotment Committee

Mr. P Arulsundaram

Mrs. A Nithya

Mr. K Rangasamy

Rights Issue Committee

Mrs. A Nithya

Mr. K Rangasamy

Mr. P Muralidasan

Company Secretary

Mr. Pradeep Kumar Nath

Registered Office

S F No. 454, Raghupathynaiken Palayam,
Railway Colony Post, Poondurai Road,
Erode - 638 002. Tamil Nadu.

Bankers

Indian Overseas Bank

Bank of India

IDBI Bank

EXIM Bank

Statutory Auditors

S. N. Duraiswamy

7 Kandappa Lane, opp Brough Road,

Telephone Bhawan, near Iswaraiyaa

Hotel, Erode-638001.

Internal Auditors

M/s. Karthikeyan & Jayaram

'Sri Towers', 30 Bharathidasan Street,

Teachers Colony, Erode – 638011.

Cost Auditor

Mr. R Gopal

34, Meenakshi Kalyana Mandapam Street,

Varnapuram, Bhavani, Erode – 638302.

Secretarial Auditor

BGS Mishra & Associates,

Company Secretaries LLP

C-4, # 108, 2nd Floor,

RM Towers, Chamiers Road,

Teynampet, Chennai- 600 018.

Registrar & Share Transfer Agent

M/s. Cameo Corporate Services Limited

Subramanian Building, No.1 Club House Road,

Chennai – 600002.

Listed At

National Stock Exchange of India Limited

Symbol: RPPINFRA

Series: EQ

BSE Limited

Scrip Code: 533284

Scrip ID: RPPINFRA

Website

www.rppiopl.com