



Building a New Future.

RPP Infra Projects Limited
Annual Report 2021-22

Report navigation

01-10

Corporate overview

Building a new future	1
Our service to society	2
Company at a glance	4
Chairman's performance update to shareholders	6
Discussion with our leadership	8
Our growth framework	10

11-55

Statutory report

Corporate Information	11
Directors' Report	12
Management's Discussion and Analysis	32
Corporate Governance Report	39

57-156

Financial statements

Auditor's report on standalone financials	57
Standalone financials	68
Auditor's report on consolidated financials	108
Consolidated financials	114

Reporting overview

This report is our primary medium of communication to our shareholders and other stakeholders. It aims to provide a concise view of the performance of the Company in FY2021-22, the challenges faced and the operating outlook for the near to mid-term. Having successfully endured the Covid shock, the Company has emerged out of the pandemic more resilient and agile and has adopted many initiatives towards building a new future, taking everyone along the path of shared development.

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.

Impacting the SDGs

Through our business we positively impact many of the 17 UN SDGs (Sustainable Development Goals) that aim to foster a better society. Chief among this is our key work of infrastructure development that help improve lives and livelihoods. We impact the following SDGs:



Positive outlook for India

The infrastructure market outlook is positive and is supported by the government's US\$ 130.57 billion allocation to infrastructure, providing among the highest levels of investment in decades.

Strong opportunities in chosen markets

Our chosen markets show strong underlying drivers and continue to deliver significant opportunities for the Company.

Sectoral presence

RPP is present in key sectors, such as Buildings, Infrastructure and Water Management, having a strong and proven execution track record.

De-risked business model

The Company has created a strong and diversified presence within south India, while also foraying into Maharashtra, Gujarat and Jharkhand that are fast-growing states.

Read this report online

The online version of RPP's Annual Report 2021-22 is available on our corporate website under the 'Investor' section: www.rppi.com

Driving transformation towards building a new future.

At RPP Infra Projects Limited, we are leading the charge to drive organisational transformation to meet the industry challenges of the future. We are harnessing the power of our deep expertise built over the decades, innovative practices and sustainable thinking to create high quality infrastructural assets and developments across our three chosen verticals of Buildings, Infrastructure and Water Management.

With experience of 27+ years, solid execution track record of completing 150+ projects, strong tendering capabilities, marquee government clientele with secure cash flow and trust of our customers, we have created a legacy we are proud of. Safety, dependability and reliability are our hallmarks and as we stand united to deliver and succeed, we place equal value on all perspectives by embracing diversity and inclusion. Together, we deliver projects that fulfill needs and expectations and in doing so we collaborate with our customers to shape thinking and inspire a new generation of talent to be the change-makers of tomorrow.





Our service to society

At RPP, we believe that continuing societal development is only possible if economic, social and environmental issues are addressed as an indivisible whole.

This belief is embedded in the history of our Company and is evident in the kind of projects we build, including affordable housing, social infrastructure, schools and hospitals, roads and highways, water supply distribution systems, etc., that serve public utility and purpose. In fact, our projects stand for how we work to find solutions that facilitate access to the essentials and help conserve resources, thereby enabling our customers to meet their public mandates.

We are a Company with a high level of technical know-how and we set ourselves apart from competition by way of innovative solutions and adherence to execution timelines combined with our end-to-end engineering know-how and integrated project management capabilities. We deliver long-term results for our customers by leveraging our longstanding experience, the quality of our services and our high capacity for innovation.

We are a working community where, in addition to respectable livelihood opportunities and a culture of health and safety, everyone can find purpose in what they do. Through training we ensure that our employees, the majority of whom are manual workers and technicians, develop their skills.

Our prosperity is founded upon our usefulness to all our stakeholders - customers, shareholders, employees, suppliers, current populations and future generations. In this way, we are building a new future while catering to society's vital needs.





Operational

27+

Years of experience

150+

Projects executed

300+

Workforce



Financial

36.14

EBIDTA (Rs. cr)

8.36

Net profit (Rs. cr)

86.57

Book value/share (Rs.)

317.61

Net worth (Rs. cr)



Company at a glance

We are an engineering-led infrastructure company with leading projects in our chosen business verticals of Buildings, Infrastructure and Water Management that we execute via public-private partnership.

Vision



To be a global leader in the construction and infrastructure industry by continuously moving forward. To have international standards by adopting the 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. Developing highly trained and loyal employees who work as a team to anticipate, identify and respond to client needs.

Our presence



The key regions of our presence comprise Tamil Nadu, Karnataka and Telangana that have shown high growth appetite for infra development. Further, within India, we are also diversifying into Maharashtra, Gujarat and Jharkhand, while also foraying into Bangladesh that has sound economic prospects.



Our construction expertise







Infrastructure

- Smart City projects
- Roads and highways
- Elevated corridors
- Structural works for power plants and coal/ash handling plants
- Power plant substations
- Integrated storm water drainage

Buildings

- Affordable housing
- Social infrastructure modernisation (schools, etc.)
- Hospitals
- Medical colleges
- Mixed-use projects
- Multi-storied buildings

Water Management

- Jal Jeevan Mission projects
- Water supply distribution
- Elevated service reservoirs
- Rehabilitation/modernization of irrigation infrastructure
- Canal construction

Our financial journey

Despite our relatively small scale of operations, we have been able to weather the huge negative impacts of Covid well, building resilience by enhancing customer engagement, sharpening our skills and competencies, focusing on collections and undertaking cost optimisation. Thus, we believe we have come out stronger and are today well poised for accelerating growth.

Our solid foundations

- Integrity
- Accountability
- Innovation
- Execution
- Safety
- Efficiency
- Focus
- Sustainability

Historical financial highlights (Rs. in cr)

Parameter	2017-18	2018-19	2019-20	2020-21	2021-22
Income from operations	499.13	580.69	575.69	477.90	779.82
Total income	505.47	589.39	585.31	489.10	794.01
EBIDTA	72.40	70.66	64.63	47.22	36.14
Interest	18.57	23.24	22.68	18.95	13.98
Depreciation	6.79	6.38	7.16	6.11	7.97
Tax	33.56	16.70	15.49	6.62	5.83
Net profit	13.48	24.35	19.30	15.53	8.36
Equity share capital	22.60	22.60	22.60	23.65	36.69
Net worth	193.67	215.72	236.17	267.81	317.61
Gross fixed assets	62.88	89.92	96.99	94.94	116.68
Net fixed assets	30.23	51.74	51.83	46.99	64.08
Total assets	512.13	595.46	569.07	618.25	738.67
Book value per share (Rs.)	85.69	95.45	104.50	113.24	86.57
Turnover per share (Rs.)	220.80	256.94	254.72	202.07	212.56
Earnings per share (Rs.)	5.97	10.77	8.54	6.57	2.64
EBIDTA/Gross turnover	0.14	0.12	0.11	0.10	0.05
ROCE	0.35	0.26	0.22	0.14	0.08

Chairman's Message

Dear Shareholders,

It gives me great pleasure to present the 27th Annual Report and annual performance of the Company for the financial year 2021-22.



Financial year 2021-22 was an economic roller-coaster. The year was expected to be one of recovery on the back of normalized resumption of economic activity and improved mobility. However, against the expectations, the year commenced with the onset of a more virulent second wave, with a record number of infections and high mortality rate. The country witnessed partial lockdowns across different states, as opposed to complete lockdowns during the first wave. With improved vaccination efforts, the economy bounced back faster than anticipated. However, the recovery was severely disrupted due to the emergence of a new variant of the virus, Omicron, by the end of third quarter, which fortunately, did not have a long impact. Post this again when the economy was recovering, by end of the financial year, the geopolitical conflict

created huge challenge for the industry with a sharp rise in commodity prices..

Despite these turbulences, the economy expanded at 8.7% in FY2021-22, compared to a 6.6% contraction in the previous year. India's Union Budget 2022 emphasized on maintaining fiscal deficit near current levels along with renewed capex thrust. The Government capex serves the twin purpose of employment generation and acts as a growth multiplier.

A slew of incentive schemes as launched by the Government is bound to stimulate manufacturing and exports and take forward the effort of the Government's vision to achieve a USD 5 trillion economy and make positive sentiment for growth. As infrastructure investments serve the dual purpose of driving productivity and generating

employment, we expect the industry to have better growth as compared to last year. Surge in domestic demand, improvement in capacity utilization levels and much leaner corporate balance sheets are further indicating sustained resurgence in the economic output. Further, prediction of yet another year of normal monsoon has added to the positive sentiment.

During the period, global economy witnessed recovery amidst continued progress with vaccination efforts, supportive macroeconomic policies in major economies and favorable financial conditions. However, the global environment significantly worsened in the latter half of the financial year with unfavorable political situation. The onset of the war adversely impacted food and energy prices globally and severely disrupted supply chain.

Your Company continued to extend help and support like last year to people like daily-wagers and outside labourers to help them tide over the crisis created by the pandemic. Though the economy did grow and bounced back to pre-pandemic level, not everything was as per the expectation and FY2021-22 turned to be mixed year.

The year 2021-22 started with widespread fear due to very high infection with high mortality. In the first quarter of 2021-22, economic growth had been a stupendous 20.1%, which however was mainly due to low base

effect. In the second quarter it was 8.4%, while it was 5.4% in the third quarter. In the fourth quarter it slid to 4.1%.

GDP for 2021-22 at 8.7% was lower than the 8.9% growth estimated by the Ministry of Statistics and Programme Implementation (MoSPI). This also fell short from Reserve Bank of India's estimation of 9.5% GDP growth. Even the projected March quarter growth of 4.1% remained much lower than the RBI's projection for the period, which was estimated at 6.1%.

Your Company also had a mixed year of performance. Whereas the revenue increased by almost 63% during financial year 2021-22 as compared to the last financial year, margin and profit were severely impacted.

Networth of your Company increased to Rs. 317.61 cr as on 31st March 2022, as compared to Rs. 267.81 cr as on 31st March 2021. This was primarily owing to infusion of capital through rights issue, reserves due to forfeiture of warrant money and profit during the year.

On standalone basis, your Company's total revenue increased to Rs. 794.01 cr in FY2021-22, as compared to Rs. 489.10 cr in FY2020-21. Total cost increased to Rs. 779.82 cr in 2021-22, vs. Rs. 466.94 cr in 2020-21. EBITDA for 20201-22 stood at Rs. 36.14 cr as compared to Rs. 47.22 cr in the previous year, registering a drop of almost 23%. Profit after tax for FY2021-22 stood at Rs. 8.36 cr, as compared to Rs. 15.53 cr in FY2020-21, comprising a drop of 46%.

On consolidated basis, total revenue stood at Rs. 815.97 cr in FY2021-22, as compared to Rs. 524.33 cr in FY2020-21. Total consolidated expenses stood at Rs. 804.78 cr in 2021-22, vs. Rs. 502.21 cr in FY2020-21. Profit after tax for FY2021-22 stood at Rs. 5.36 cr, vs. Rs. 15.50 cr in FY2020-21.

During the last financial year, your Company had come out with a rights issue to raise capital to support long-term fund requirement. The Company raised about Rs. 42 cr by way of rights issue. Offer of rights issue was made at a price of Rs. 30 per share (paid value of Rs. 10 at a premium of Rs. 20 per share) and the Company has allotted 142.3 lakh shares under the rights issue.

Performance review

Your Company has undertaken various projects and may need to further leverage itself to meet out the requirement of the fund for the projects. The Company also needs to issue various guarantees for its projects and hence the Company required your approval for borrowing/providing guarantee in addition to raising money through available sources. To conserve resources for projects and maintain liquidity, your Board has decided against the recommendation of dividend for the financial year ending 31st March 2022.

The Company continues to have its diversified presence in highways, roads & bridges and civil constructions in water management, irrigation and power projects. The Company continues to be driven by strategy of mid-sized government projects of lesser tenure. Further, fast turnaround remains to be a core principle of the Company.

Outlook

Union Budget of 2022-23 had put forward four priorities of PM Gati Shakti, Inclusive Development, Productivity Enhancement and Investment and Financing of Investments. As per the budget, effective capital expenditure is expected to increase by 27% at Rs. 10.68 lakh cr to boost the economy, which will be 4.1% of the total GDP. Under PM Gati Shakti Master Plan, the National Highway Network will

develop 25,000 km of new highways network which will be worth Rs. 20,000 cr. In 2022-23, increased government expenditure is expected to attract private investment, with a production-linked incentive (PLI) scheme providing excellent opportunities. The Government has planned for PLI schemes for 14 sectors to achieve the mission of Atmanirbhar Bharat and create 60 lakh jobs with an additional production capacity of Rs. 30 lakh cr in the next five years.

Your Company continues to have strong orderbook which at the end of FY2021-22 stood at Rs. 2,664 cr. The Company has been awarded various new projects in FY2021-22. This time, the Company has again focused on small and mid-sized projects in segments of water and infrastructure domain.

Your Company is bound to have better performance as the contract and orders are from the Government, who are safest customer and provides stability to the Company even in the most challenging times. The Government initiative and investment in the infrastructure sector and continued thrust is bound to result in positive and incremental growth. However, the biggest challenge is the sharp increase in cost due to the global geopolitical situation and resultant disruption of supply chain. Your Company still believes that it would be achieving the better financials and improved margin in FY2022-23.

I would like to thank all our customers, vendors and other stakeholders for the confidence and trust in the Company. I acknowledge and thank Board Members and employees for their invaluable support. Their support and confidence continue to motivate us to outperform every year.

Thank you.

P. Arulsundaram

Chairman & Managing Director



Discussion with our leadership

“The growth potential of our business is undoubtedly considerable. Our Company is rallying around the transformation underway in cities, buildings, water and transport infrastructure and land re-development to address major societal challenges and find effective solutions.”

- A. Nithya

Q How would you sum up RPP's position in 2021-22?

A It's solid and clearly bears the mark of our business model's resilience. We're a robust and highly responsive Company that has demonstrated the ability to adapt to the shifting landscape during the COVID-19 public health crisis and return to a long-term growth path. Our revenue in 2021-22 was higher than in 2020-21 at Rs. 779.82 crore vs. Rs. 477.90 crore, a reflection of the upswing in our business activities. However, sharp cost inflation beyond our control enforced an increase in raw material, construction and sub-contracting costs, which together comprised about 89% of our total expenses, compared to 85% in the previous year. This was a factor in lower profitability for the year, which declined by about 46% to Rs 8.36 crore. However with easing of commodity and labour inflation we expect normalisation of profits soon. Lastly, we kept our net debt within bounds, which enabled us to lower our finance costs to Rs. 13.98 crore in 2021-22, thus protecting profitability to that extent. Debt optimisation will continue to remain a key part of our strategy going forward.

Q What was the progress achieved during the year?

A It was a satisfactory performance considering coming out of the ravaging impacts of the second wave of the pandemic in May-June 2021 and the third milder wave in December 2021. The sharp growth in our revenue was delivered by our diversified portfolio, with all the three segments firing. We have worked hard to transform our portfolio and will continue to focus on high quality opportunities that utilise our capabilities. Furthermore, we were able to achieve a better quality order book as on end March 2022, which provides clear short and medium-term visibility. Our expert tendering capability has also resulted in a superior quality order book providing a measure of inflation protection through improved contract terms. Lastly, we have also put in effort to build capabilities matched to favourable infra markets, which have a positive outlook. All these strengthen our foundation and position us well towards building a new future.

Q What are some of the levers of growth?

A As a sector, construction has moved forward at pace in recent years and is still transforming. Every day we adapt with agility, working to drive efficiencies, implementing sustainable solutions and engaging in financial strategies that enable improvement in our credit and risk profile while taking action targeting long-term shareholder value. We are committed to building a new future through the development of infrastructure that helps unlock economic and social progress. Some of our key focus areas include continuously improving standards of quality, safety and reliability, expanding the company's current customer base through ongoing commercial effort for new business, increasing operational and financial efficiency, applying rigorous project selection criteria in line with our expansion and growth strategy, and maintaining sound financial structure while keeping costs low.