

To,

**July 05, 2021**

**National Stock Exchange of India Ltd.**

Exchange Plaza, Plot no. C/1, G Block,  
Bandra-Kurla Complex, Bandra (E)  
Mumbai - 400 051

**Symbol - RKEC**

**Dear Sir/ Madam,**

**Subject: Transcript of Earnings Call with Analyst / Investors**

This is to inform you that the Company had an Earnings Call with Analyst / Investors on Friday, July 02, 2021 at 4:00 p.m. to discuss on the operational and financial performance of the Company. Transcript of the same is enclosed.

Please take on your records.

\*No price sensitive information was disclosed or discussed.

Thanking You,

Yours faithfully,

*Deepika Rathi*



**Deepika Rathi**  
**Company Secretary and Compliance Officer**

**RKEC Projects Limited**

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## Transcript

### Conference Call of RKEC Projects Limited

**Event Date / Time** : 1<sup>st</sup> July 2021, 4 PM IST

**Event Duration** : 55 min 45 secs

#### **Presentation Session**

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**Moderator:** Ladies and gentlemen good day and welcome to RKEC Projects Limited Q4FY21 earnings conference call hosted by Hem Securities Limited. As a reminder all participants 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 the conference call, please signal an operator by pressing \* and then 0 on your touch-screen phones. Please note that this conference is being recorded. I would now like to handover the floor to Ms Astha Jain from Hem Securities Limited. Thank you and over to you ma'am.

**Ms. Astha Jain:** Thank you Moumita. Good afternoon ladies and gentlemen. Thank you for joining the RKEC Projects Limited Q4 and FY21 earnings conference call. Today we have with us Mr. G. Radhakrishna, Chairman and Managing Director of RKEC Project along with Mr. R. Jayachandran, CFO of the company to discuss the operational and financial performance and to answer all your queries. So without any further ado, I will hand over the call to Mr. Jayachandran for his initial comments on the financial performance of the company; over to you sir.

**R. Jayachandran:** Good afternoon and a hearty welcome to all the participants. I am Jaya Chandran here. I joined as CFO last year...in the middle of the current financial year. My job is primarily to give an introduction about the company. The company as of this quarter has a standing of almost 35 years. The company is founded by Sri G. Radhakrishna, present Managing Director and it started in a small way. We have come to this level and become a company on 1<sup>st</sup> April 2005. In 2017 we have got listed company in emerging platform of NSE. Now in the last year December we have migrated to the main board. The company has started its business with various construction activities, small to big and finally now we have been now concentrating on our core competent areas of marine structures and bridges where we have already made our footprint. Even though we are a midcap we have got our place in this segment where we are.

We have been ranked as one of the top 10 companies for designing and executing marine works in the country. The company has been executing on-shore and infrastructure project in (not clear). We are also a super special class registered contractors with the Ministry of Defense which gives an unlimited tendering capability of ours. We have a good reputation as far as quality of delivery and timely delivery and the sectors in which we work include ports, defense, railways, private sectors and big corporates, steel industry, SR, any number of such companies we are associated. We could achieve a good track record of cumulative annual growth rate for the last five years consistently except for the last year, the details of which will be explained by the CMD

himself. I will hand over the mike to the CMD, Sri. G. Radhakrishna to deliver his short speech to the benefit of shareholders. Thank you very much.

**G. Radhakrishna:** Thank you Ms. Astha and Mr. Jayachandran. Good afternoon ladies and gentlemen. I am Radhakrishna CMD of RKEC Projects Limited. It is my pleasure to welcome you all to our investor's conference to discuss the financial performance of RKEC Projects Limited for the financial year 20-21 and also share with you our way forward. RKEC Private Limited is one of the leading infra companies which has 35 years of experience in the business of marine work and bridges. Company has completed 95 projects so far worth over 1830 crores and currently working on 14 projects amounting to Rs. 600 crores. During the financial year 21 the company could complete four projects. The notable ones are electrification work of Purvanchal Vidyut Vitraan Nigam Limited and ports like JNPT.

Let me come to the order book first before getting into the financials. The company carries an order value of 883 crores for execution as of 1/4/2021 and secured an order of Rs. 134 crores after the financial year brought in about Rs. 1017 crores of orders on hand considering an average turnover of Rs.300 crores for financial year 20-21, 22 and Rs. 400 crores for financial 20-22 and 23. The company is having a sufficient order book on hand. We have also submitted big (not clear) project (not clear) Rs.1000 crores approximately and is bidding for another Rs. 600 crores by 31/12/2021. Considering a minimum surface of one third, we are expected to have a very comfortable RO position, of three years' turnover being available at any point of time. When I look at the turnover, it is seen that the turnover of the company has suffered a drop of Rs. 95 crores that is 33% as compared to the turnover of the previous year. Drop in turnover was due to multiple challenges faced by the company.

The first one was due to the outbreak of the pandemic right from March 2020 and impacted throughout the financial year. The major projects which have suffered set backs are port, JNPT, Adani project, Haldia Project and sea project of the Indian Navy Visakhapatnam. The second challenge was on account of the slowdown in the construction activities in the Farakka Project. The slowdown of Farakka project was mainly due to an unfortunate accident on 16/2/2020 and the subsequent investigation studies and review of the design and ranks by multiple agencies. We are happy to inform you that our clients are being approved after the completion of all studies. The project will be back on track in another three months time after the monsoon, 2021. The third reason was that the company was suffering from the working capital constraint for the last two years on account of the receivable of Rs.65 crores from SSPUVDNL. I am happy to share with you that the contract has been revalidated, work has been completed and a debt of Rs.52 crores against Rs. 80 crores have already been collected which has provided a slight relief to the working capital position of the company. We are expecting the balance payment of Rs. 28 crores during the second quarter of the financial year 2021. We are probably one of the few contractors in India to have recovered money without penalty which shows the strength of the company and its integrity level. I congratulate all my staff who have struggled to receive this and also shareholders for having confidence and stood by us for over two years.

While we could mitigate the three challenges, we are still left with one challenge on the working capital credit limits from Bank of Baroda. The sanction of credit limit of Bank of Baroda has also been received during June 2021. Sanction by the Bank is not very comfortable for the company to receive the increase in turnover. Infact the major set

back in turnover was on account of stressed working capital position throughout the financial year. We have taken up various actions to bridge the gap in the working capital and are confident of mitigating it in the next two months' time. We bring to your kind notice that we have not removed any of our staff during the pandemic and full salaries were paid and the directors have sacrificed their salaries to pay them as they are the pillars and strength of the company.

The profitability of the company reflected EBITDA of Rs. 82.94 crores during the financial year 2021 as against the previous years' performance of Rs. 69.61 crores. Similarly, the profit after tax for the year 2021 is Rs.12.76 crores as against Rs. 27.86 crores of 19-20. I would like to state that the drop in profit is directly the result of the drop in turnover as expenditure level remained almost the same. The company has adopted IND AS requirement as NSE main board listed companies thereby improving the standard. We have appointed a new CFO Mr. Jayachandran who is highly qualified and experienced. He is a qualified finance professional who has got 35 years of industry exposure. He possesses multi various and functional experience in various industries such as engineering, infrastructure, manufacturing etc. He has been (not sure) CFO for the last 25 years into the organization. His services are expected to benefit the company substantially. Mr. Satyanarayana has opted to retire as he has attained the age of 65 years. We are confident of the way forward by regaining the growth in turnover to Rs. 300 crores during the financial year 21-22; by adding on jobs of oil & gas, specialized billing with due diligence and thereby to add value to the investors in the coming years.

Our strategy and philosophy of work can be considered to optimized operational (not clear) by enhancing the project execution capability and efficient project management to capture the industry growth potential, to retain and attract talent, to go for (not sure) billing by striking a balance between the risk profile of owning versus hiring. Our resources and capabilities do consists of our track record of completion of projects, long experience as a promoter in the construction sector, dedicated, robust and successful team, own fleet of construction equipment, long-term relationship with client, high quality, cost-effective project delivery capability, timely completion of projects, reasonable asset base for the size of the company.

Coming to the short-term (not clear) I should say that despite the pandemic, stringent credit sanctioning norms insisted in banks and increase in price of steel are the major ones. We are confident of mitigating all the above during the financial year 21-22. The floor is now open for questions and answer session. You may now ask questions one by one. Kindly tell us your name and the organization you represent.

#### ***Question and Answer Session***

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***Moderator:*** Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again. Ladies and gentlemen we will wait for a moment while the question queue assembles.

The first question comes from Mr. Dixit Doshi from Whitestone Financial Advisors Pvt. Ltd. Please go ahead sir.

**Dixit Doshi:** Thanks for the opportunity sir. Can you hear me?

**G. Radhakrishna:** Yes sir.

**Dixit Doshi:** Just a clarification, you mentioned that as on 31<sup>st</sup> March the order book was 883 crores and we received a fresh order of 134 crores after March.

**G. Radhakrishna:** Correct.

**Dixit Doshi:** Okay. Now, can you mention the top three, four projects among this which will be the high-value project?

**R. Jayachandran:** Shall I answer?

**G. Radhakrishna:** Yeah.

**R. Jayachandran:** It is correct that we have got an unexecuted order value of 883 crores as on 31/3/2021 and we have also secured an order of 134 crores after 1<sup>st</sup> April. Totally it is around 1000 crores of work order on hand. The major projects are Farakka project where unexecuted order value is around 288 crores, the second one is a project of jetty construction for Indian Navy in Visakhapatnam which is approximately 140 crores. The third one is...there are two projects in Calcutta Fortress that is Haldia Dock Complex. Together it is around 200 crores. The next one is the order which we recently got that is a construction of a fisheries harbor in Kakinada in a place called Uppada. The project is funded by NABARD and we have a back to back contract for the marine portion which is 134 crores. We do have few other projects already ongoing, many of them are in advanced stages of completion. One another project is in the west coast of India in Karnataka; that is Honnavar where we have got an unexecuted order value of about 75 crores. So this constitutes almost 1000 crores of the order book. Almost all the projects are already mobilized and work is up and running.

**Dixit Doshi:** Okay so except for I guess, there was some issue at Farakka....other projects are running on right?

**R. Jayachandran:** I would like to clarify that there was the problem at Farakka but at present, we are already out of the problem, we have sensed that. Our designs and everything has been checked and our designs as CMD has made in his speech, the designs are already approved and the drawings are getting approved. In another month or one and a half month's time we will be getting all the drawings approved. With revised drawings are primarily providing some more add ons and a few measures as added precaution and nothing else. The work will start in full swing, but due to the climatic conditions and floor conditions, maybe after the monsoons that is September, October 2021 only we can see that the main work can go in full swing.

**Dixit Doshi:** Okay. Sir my next question is regarding our finances. You mentioned that there was some stress on the working capital. So what is our current bank (not clear) in terms of fund base and non-fund base. We already have pretty much a 1000-crore order. So how much more order we can bid? How much more bank guarantees we have?

**R. Jayachandran:** At present we have got the sanction of Bank of Baroda. Non-fund base limit is 210 crores which includes 50 crores of LC limit also plus we have a cash credit limit of 37.5 crores. We are working on...as far as the non-fund base limit is concerned, we are very much comfortable. As you may be knowing that after the outbreak of the pandemic, the government has given some relaxations as far as bank guarantees are concerned. Performance bank guarantees and retention bank guarantees have been relaxed to some 10% to 3%; so we are very much comfortable as far as the non-fund basis limit is concerned. However, due to the delay or due to the slowdown in the last year, we may need to pump in a bit more money as far as the working capital is concerned. Presently we have only 37.5. Ideally we should have around 60, 65 crores of working capital...65 to 70 crores we may be requiring and we are sourcing it. We are working on various fronts only and we will be able to do it. This is required because we are planning to bring the turnover back to 300 plus in the current year.

**Dixit Doshi:** With this 210 crores, limit and 37 crores CC limit, how much more order you can bid for maximum?

**R. Jayachandran:** As far as today we have about 14 projects up and running of which in the current financial year we will be completing and getting out around 8 to 9 projects because almost all of them are in advanced stages of completion; almost completed or substantial completion. By the year end if there is no further orders coming to us, we will be left with only five orders. So essentially we have the resources where we can definitely open up three to four major projects in the size of 200 crores; we can at least open three to four projects and we have also bid for two projects and we are confident of at least getting one out of it. So one or two projects more we will be able to get in the current financial year. Our strategy is that to always keep the order book on hand almost free of turnover. The reason is that the average delivery time is also 2-1/2 to 3 years' time. So we should be in a position to get once the...after finishing 1000 crores, third is what is going to be completed during the current financial year may be about 400, 500 600 crores may go out of the books, so additional 400, 500, or 600 crores will come in. So definitely we can accommodate another 600 to 700 crores of order even with the existing scale of things.

**Dixit Doshi:** Okay. Coming to our receivables, you know it has gone up sharply; almost 143 crores. Is there any more than six months or more than one year old receivables and if you can mention how much it is?

**R. Jayachandran:** I could not get you, the voice is not clear...143 you are talking of what figure?

**Dixit Doshi:** I was saying that our receivables are almost 143 crores as on March end. So is there any slow moving like more than six months or more than one year old receivable and if you can mention the amount...how much it is?

**R. Jayachandran:** Actually the receivables are around 168 crores as per the audited accounts which consists of retention amount which is payable as per the terms of contract after the (not clear) is over. We don't have any receivable which is stressed as of today. It was not the case in the last two years. We had one major stressed asset of around 65 crores in the books from a client called Purvanchal Vidyut Vitraan Nigam Limited which is what CMD was expressing in his speech that we are probably the

company where we got the contract, re-validated and completed the work and got the completion certificate and got around 52 crores we have received after 31<sup>st</sup> of March. So I could say that there is no receivable in the books as of today which is stressed, not even stressed which is not (not clear). To substantiate my statement I should say that we had renewed all the sundry debtors on 31<sup>st</sup> of March, all the receivables and we have found that two of the receivables which are almost 5, 6 years old, we in fact have written off these two debts. One from a company called SEW which has already gone to NCLT and the second one is also gone to NCLT called IVCRL. About 3.4 crores of debts which we ourselves assessed that yes there could be a stress and there is a doubtfulness on the case which we have analyzed and we have written off. So at the end of the day today we have not even a stressed asset in our books as far as receivables are concerned.

**Dixit Doshi:** I understand that except for Purvanchal there is no stress on the receivables. But how much of this would be more than six months old?

**R. Jayachandran:** As of now, there is hardly about 20 to 25 crores more than six months old. That also more than six months old because it is receivable as per the payment term in the contract. For example, retention money held by the client will be on a stage payment. For benchmark completion only they will release the money, that is the reason why. Number of days wise it is more than six months otherwise it is payable as per the contract once we achieve that benchmark completion.

**Dixit Doshi:** Okay, one last question from my side. This year we did about 15%, 16% EBITDA margin and we are planning to do a top line of 300 crores in FY22. What kind of margins.....I mean we can sustain this 15%, 16% margin given the kind of commodity price hike...?

**R. Jayachandran:** I think this is a very good question. I think we should be able to...

**G. Radhakrishna:** Mr. Dixit I would like to answer your question...two questions. First question was you were saying 37.5 crores how much order book can you book? This was your question earlier I think. We will be completing some of the projects; whatever is there as explained by him about 8 to 9 projects we will be completing and in addition we can definitely take up around 600 to 1000 crores in this financial year, additional works of around 600 to 1000 crores in this financial year provided we enhance our credit limit to another 30 crores which we are doing and probably within another two months we should be able to do that. And the question asked, achieving the PBT and all that we are in a very positive mode to move to that extent but being in the pandemic situation and all we may not be able to commit to that level what would be the exact figures and all but we must be earning definitely better than the present year position sir.

**Dixit Doshi:** So 15%, 16% EBITDA margin you feel is a sustainable margin?

**R. Jayachandran:** Yeah, it is not impossible, it can be achieved. We are not saying that it cannot be achieved but we do not know what kind of..... As far as receivables, there is no problems there.

**Dixit Doshi:** Okay sir, thank you sir. I will join back in the queue if I have more questions, thanks.

**G. Radhakrishna:** Thank you sir, I think we answered all your questions.

**Moderator:** Thank you sir. The next question comes from Mr. Jitu Punjabi from EM Capital Investors. Please go ahead sir.

**Jitu Punjabi:** Yes good afternoon Mr. Radhakrishna how are you?

**G. Radhakrishna:** Good afternoon, thanks sir, how are you.

**Jitu Punjabi:** I am very well. Sir I wanted to just ask a couple of things. One the point that there is a constraint for working capital....is there a path to resolution there? In the sense the point you made in the last question was that we will do X number of projects and then we will replace it with new projects and we are doing and we should reach a reasonable turnover over the next 12 months. But if the working capital is constrained, that may not be doable. So the question is that, is there a path to resolution on the working capital constraint side?

**G. Radhakrishna:** Resolution has been passed in the last board meeting sir and we have already approached....we are trying for multiple banking sir and we have applied for annuity to Bank of Baroda which we will be getting very shortly. Two or three banks are ready to process and issue the working capital.

**Jitu Punjabi:** Okay, good....I mean in the next few months that should be resolved, is the point you are making.

**G. Radhakrishna:** I think in the next two months it will be resolved, that's what we are hoping now. Anyway the next two months are also the monsoon period and we may not be able to progress much on the work, by that time we will try to get the capital and in the next six months we will try and do a good amount of job in the next six months. In the third and fourth quarter we will be doing a good amount of job.

**Jitu Punjabi:** Okay so we should be able to catch up on the business side?

**G. Radhakrishna:** Yes sir. We are very confident now when compared to the last year. You must be knowing of our stress on Purvanchal....I was giving you all the information whatever is there. Now we are very confident of getting out of that.

**Jitu Punjabi:** Tell me is there any further receivable beside the 15% holding money is there? Any outstanding from Purvanchal corporation today?

**G. Radhakrishna:** Yeah we have received around 52 crores out of 80 crores sir and 28 crores is still the balance.

**Jitu Punjabi:** And what is the time line of getting that now?

**G. Radhakrishna:** Maybe in this quarter we should be able to get it sir.



**Jitu Punjabi:** The full money?

**G. Radhakrishna:** Not full money, we are supposed to get around 12 crores, last month which we didn't get. May be this week or next week we should be getting it and the balance they promised by this month end or maybe by this quarter end we should be able to get the balance sir.

**Jitu Punjabi:** Okay, wonderful. Then my other question is that, you have been through a very difficult two years. You are just coming out of it. As you come out of it, what do you think the next two, three, four years can look like? Do you think you can scale up significantly to 4000 crores turnover? I don't know what...is a significant scale up from here possible as you see the next few years ahead?

**G. Radhakrishna:** Sir this is a very good question sir. I think I have been answering this right from my investor's meeting in Bombay somewhere around 2017. We have been saying that at the time when we go to the public our turnover was around 100 to 150 crores and I said we will go up to 300 to 400, stabilize this for about three years and then move on for further. The main....basic reason why we want to go like that is, I want to develop my own strength of staff with me rather than scaling up so much projects higher, getting people from outside, we do not understand what is on their mind; by the time we understand their mind, the project is over and we may be either this side or that side. So I want to have a very stable and strong foundation by making (not sure) at the range of 300 to 400 crores, stabilize for three years, develop the fresh talent from the people we have taken up and then give them more projects in the future coming over here. So maybe around 300 to 500 we will stabilize in the three years and then afterwards we will scale upto 1000 crores. This is our plan actually.

**Jitu Punjabi:** Okay wonderful. In the current...lesser than 18 months, I am assuming capital was a constraint and that is getting solved for in terms of debt lines of credit; the receivables are an issue and that is getting resolved. Do you see any other...and you seem to be sitting on a pretty good order book. Is there any other constraint that you envisage over the next 18 months to achieve the growth objectives?

**G. Radhakrishna:** I don't feel there is any constraint sir. The only constraint that we are facing as of now is on the steel.....there is no material available in the market because of this pandemic, increase in diesel prices or non-availability of raw materials in the steel industry we are facing a little bit of constraint; I think probably this should be resolved very shortly sir.

**Jitu Punjabi:** Okay wonderful sir. Our good wishes are with you. Thank you.

**G. Radhakrishna:** Thank you very much sir.

**Moderator:** Thank you sir. The next question comes from Mr. Nikhil Shah from Ubhed Trading LLP. Please go ahead sir.

**Nikhil Shah:** Thank you very much. Am I audible?

**G. Radhakrishna:** Yes.

**G. Radhakrishna:** The first question may be a technical one; in the financial statements the table of results that was shared, in the consolidated PAT for FY20 it was mentioned as 42 crores; whereas in the annual report it is mentioned as 28 because I think there is a one-time GST cost of 13.3 crores which was mentioned as exceptional item; so is this just a kind of...how should I read this 42 crores of FY20 number?

**R. Jayachandran:** I understand that your question is that there is an abnormal expenditure on account of GST in the year 1920, yes it is a fact that we had an abnormal expenditure of GST in the year 1920 to the extent of 13.3. My only answer in that is, that every year there is something or the other abnormalities or uncertainties do capture. So probably I think once you compare 28 should be as a (not sure) when we compare one to one even though it is a bit abnormal. Current year we have got some increase in price of steel which is not fully captured in the escalation formulae in the contract. So something or the other keeps on happening. Only thing is 1920 it was slightly on the higher side, that's it.

**Nikhil Shah:** No, no my question is not that sir. My question is there is the annual report figure and the table of results which was released yesterday, the profit after tax for FY20 is different. My question is that.

**G. Radhakrishna:** It cannot vary.

**Nikhil Shah:** Yeah you can cross-check for that. I will wait for that. My second question is, if you look at the operating margin and I am defining operating margin as sales minus cost of materials, construction expenses and changes in inventory. If I take this as your operating margin, it has been shrinking over the last four years and of course may be FY21 is not a comparison so to speak; but the trend has been that it is shrinking. So how do we see this going forward? Is it that a function of that as the turnover increases the margin will shrink? Is that the perspective here?

**R. Jayachandran:** Yeah, if you look at...if it is a mix of all in the sense that different contracts we operate at different margin. The overall margin has not shrunken. Overall margin remained almost the same. So the individual projects, dominant projects, suppose if I do X projects which is having 15% or 20 % margin, and that project was the dominant turnover in that particular year that precisely is at a better positioning and it consumes maybe more material; some projects consume more labor. So it is not a very...unlike a manufacturing unit, it is individual contract conditions and the pricing, bidding...all those things matter actually. But overall I am clear that there is no shrinking in the profitability except for 20-21.

**G. Radhakrishna:** In short if I were to answer your question it is yes, sir. As we keep on increasing our turnover there is a possibility of reduction of the percentage of the profit.

**Nikhil Shah:** Okay, but what you said is in the one to two years, you don't expect the EBITDA margins to drop substantially right?

**G. Radhakrishna:** Yes, it will not drop sir. We are telling you right from the beginning we are very strong in making our own capex and making our own machinery which sells more than 30% to 40% of cost on our capex. That is the reason we have good margins and there is not much problem in this. We may be facing a little bit of

stress this year but from the coming year if there is any external problem....forget about the internal problems like increase in materials of other steel goods can be covered up, but external factors like pandemic and all....otherwise, we should be able to do good job in the next financial year, maybe 21-22.

**Nikhil Shah:** Okay. The last question, the net fixed assets have been flat for the last two years of 55 crores, so do we expect this to increase in line with the increase in the business turnover also or is this good enough for the next couple of years?

**R. Jayachandran:** You are looking at the fixed assets and the capital expenditure?

**Nikhil Shah:** That's right.

**R. Jayachandran:** Yeah, definitely the assets in the present level of operations we are comfortable. But definitely depending on the new jobs which we are going to get, we will be definitely going for some more capital expenditure may be to the tune of 50 crores roughly. Around 50 crores we have kept in mind as the capex which will be required. The funding will not be an issue because we are practically debt free.

**Nikhil Shah:** Okay and the last one is, CMD mentioned about....one thing to stabilize between 300 to 500 crores and then kind of making the next leap. So how many years do we see ourselves being in this 300 to 500 before we kind of move to the next band?

**R. Jayachandran:** I think CMD has given an indication...line of thinking to be stabilizing maybe 300 to 500 for three years, the first year is running, so maybe another two years.

**Nikhil Shah:** Okay thank you. If there are any follow up questions, I will come back in queue.

**R. Jayachandran:** Please do. But I think there is no difference in the figures which I clarified to you. If you can send us a mail, clearly specifying which document to which document, we will answer you on mail itself.

**Nikhil Shah:** Okay I will send you the document also with the reference. Thank you.

**R. Jayachandran:** That's fine, thank you.

**Moderator:** Thank you sir. The next question comes from Mr. Dixit Doshi from Whitestone Financial Advisors Pvt. Ltd. Please go ahead sir.

**Dixit Doshi:** Thanks for the opportunity again, just a couple of questions. One, how much is the order bid pipeline?

**R. Jayachandran:** I think we have bid for two projects, the estimated cost put to bid for these projects to government are around 1000 crores. The technical bids are under evaluation and we expect in a months' time we will know where we stand. In one

project I think within one month we will know whether we are going to get the order which we are hopeful. The second one may take one more month for the evaluation. These are the two bids we have already submitted and as CMD has mentioned in his speech, we are also working on bidding for some more projects of around 600 crores.

**Dixit Doshi:** Okay. Just a last question, whatever order we had currently under execution almost 1000 crores, are these projects on a fixed price basis? I mean let's say, steel, cement and all these prices went up even further, can we pass on to the customer or it's a fixed price project?

**R. Jayachandran:** Almost all the contracts are either on EPC or BOT basis and on all the contracts there is a provision for escalation. How far the escalation will take care of these abnormal market situation and how far these abnormal market situation prevails is again a guess of everybody. But we feel that this will be a short-term phenomena and will not be persisting for a long time. Hopefully, I think we will be having a slight impact on this, but we have also represented to the clients that there is an abnormal increase so we may have to be compensated suitably. It is only a petition so let us see if it is not persisting for a long time, probably we may not be much affected.

**Dixit Doshi:** Okay sir, that's it from my side, thanks.

**Moderator:** Thank you sir. Ladies and gentlemen if you have any questions please press \* and 1 on your telephone keypad. The next question comes from Mr. Munish Kumar an individual investor. Please go ahead sir.

**Munish Kumar:** Good afternoon Mr. Radhakrishna. I was hearing you. My compliments to you on ensuring that all your employees were paid their salaries during the pandemic, signs of a really good company; thank you. My question is....a couple of questions. What was the impact of the second wave on your quarter one performance? Also I am very curious to know is there an impact of Farakka incident on the future orders from NHAI? Over to you sir.

**G. Radhakrishna:** Yes impact of the second wave is a little bit higher sir and we are sorry to inform you that we have lost 5 to 6 of our employees and one or two sub-contractors also and we are very pained by that and most of our people are demoralized by the pandemic situation. But the way we have looked after all the staff and all the staff have been covered by insurance even if these people got affected, they have got an extra benefit of Rs.10,00,000 as insurance benefit for them in addition to the PF of Rs.7,00,000 or something. So all people are taken care of and I am sure my strength is our staff which I looked after well and we will be able to cover up whatever backlog we are having in the second wave of pandemic....we should be able to cover it up in the future. There is no problem from our side.

**Munish Kumar:** Okay sir and what is the impact of this Farakka incident on any future orders from NHAI?

**R. Jayachandran:** As far as Farakka incident is concerned, we had already clarified and CMD also made in his speech that we are out of the issues as such as far as the job of Farakka is concerned. But still we still carry...we are in the holiday list of the NHAI for a period of 3 years, that means upto February 2023. But we are confident that once we start the work in full swing we will be getting out of the holiday list for sure.

Assuming a situation where the holiday continues upto February 2023, that also is limited and restricted to bidding for NHAI project in the worst case scenario, there also we are not affected because we do have order book on hand upto 2023 sufficiently even as of now even without even depending on NHAI...further jobs at NHAI. But our aim is to get out of the holiday list by this year end.

**Munish Kumar:** Alright sir. Thank you and again my compliments for being so human as an organization. Thank you, I am done with my questions.

**Moderator:** Thank you sir. The next question comes from Mr. Gurjot Aluwalia an individual investor. Please go ahead sir.

**Gurjot Aluwalia:** Hi, good afternoon everyone. Thank you for the opportunity. I have a question around the receivable. If I look at the annual report of four years back around 2017, at that time...and throughout 2016-17. In 2016 the revenue of the company was 113 crores and the receivables was around 20 crores. If I look at it from 2017, the revenue was around 200 crores and the receivable was around 40 crores. Again this year the revenue turnover is around 200 crores but you are talking about receivables which are 160 crores. So it is concerning as an investor to see that the receivables are increasing so sharply and also as the dividend is not being paid out in the last couple of years may be because the cash conversion is low. So it is sort of concerning us whether the company is actually able to get the receivables on time and convert it into cash so that three, four years trend is not showing in a good light for the company.

**R. Jayachandran:** Sir we are happy to inform you that out of 168 crores of debt which is shown in the books, in the first quarter of 21-22 that is as of 30<sup>th</sup> of June, we could collect 80 crores out of this. So the figure is fading down to -80 crores so round about 88 crores is today's position. The major recovery which we could asset is basically Purvanchal Vidyut Vitraan Nigam Limited and other customers. About 52 crores is from Purvanchal Vidyut Vitraan Nigam Limited. Further as earlier clarified by CMD, 28 crores is further receivable from one of the clients Purvanchal Vidyut Vitraan Nigam Limited which will also be collected in the current quarter, maybe in a month or two's time. This month itself we will get around 12 and the balance we are expected to get before September. So I think the concern is real concern of the high receivables as compared to the turnover, but I am sure that may be the half year figures will definitely out do this.

**Gurjot Aluwalia:** Okay, fantastic to hear this. I probably missed this. So already almost 100 crores will be getting collected very quickly, 80 you have already collected. I did not know this, so that really helps. And then on the dividend payout is there any policy the company has? Because two years the dividend was paid...last year because of the pandemic company wants to conserve cash...now, again I don't know whether this year again you plan to pay any dividend going forward because you want to scale up your revenue? So what is the policy of the company? Is there any dividend payout policy?

**G. Radhakrishna:** Yes. We already said we will be paying the dividend every year without fail but due to the pandemic and the three challenges that we have faced, we could not do it these two years but however wait for the AGM, in the next board meeting we will decide upon and come up with a (not clear) on that sir.

**Gurjot Aluwalia:** Okay. It will be good if the company has a policy which clearly tells the shareholders of what the company plans so that we remain consistent and shareholder also knows that this is where the company is utilizing the cash and what is the plan going forward. So that we don't have to worry about whether there is some inconsistency or payouts or in terms of how the company is utilizing cash one year and the next year it is different. So if there is some consistency that will be very good.

**R. Jayachandran:** We will sincerely note and take note of this concern and we are not averse and the policy will be taken care actually.

**Gurjot Aluwalia:** Alright thank you so much. All the best.

**Moderator:** Thank you sir. Ladies and gentlemen if you have any questions please press \* and 1 on your telephone keypad. The next question comes from Mr. Dixit Doshi from Whitestone Financial Advisors Pvt. Ltd. Please go ahead sir.

**Dixit Doshi:** No more questions, just one request, if we can do concall every quarter it will be great sir.

**Moderator:** One moment Dixit sir, please stay connected while we connect the management team back on the call. Ladies and gentlemen please stay connected while we connect the management team back on the call. Ladies and gentlemen we welcome the management team back on the call. Dixit sir, please go ahead with your question now.

**Dixit Doshi:** Yeah, no more questions, just one request, if possible please do concall every quarter after the results sir, it would be great, thanks.

**G. Radhakrishna:** Sure. We will take care of it sir and we will see after every financial result we will have a concall.

**Dixit Doshi:** Yeah, thank you sir.

**Moderator:** Thank you sir. The next question comes from Mr. Vinay Kumar from First Abudhabi Bank. Please go ahead sir.s it sor

**Vinay Kumar:** Good afternoon to you, my question here is on the debt equity. Over the last three four years it has been gradually increasing. I believe in 2016, 2017 it was 0.4, 0.6....I think currently it stands at around 0.8, 0.9. Will you be ensuring that it remains under one as we go ahead with higher turnover and profits being booked at in 21-22, 22-23? That's my question...debt to equity.

**R. Jayachandran:** As we have explained earlier, we have been having a stress on working capital and funds position and we have not gone for higher debts actually so far. In fact practically we are debt free once we get a (not clear) no profits, I think we have also planned for a capex of 50 crores when the debts shall flow in. With that the position may be changing. As such the debt equity ratio more or less remain the same I should say. Not much of a change. Rather the debts which we have taken is coming down. Of course it is a game of debt and equity. Equity remaining the same and debt not being increased, the position is that but one more point which we will have to

mention here is that CMD was also mentioning that where many of the companies have probably looked at buying of the equipments for individual projects, we have resorted to manufacturing of many of the equipments of our own with materials and expertise (not clear) items. So this also has probably helped the company in keeping the margins in place. So it is a give and take on both sides. Hopefully I think we are on the right track and when the new projects come then we will look for equipments which will have longer usage so that it will (not clear) its own.

**Vinay Kumar:** Alright thank you for the clarification.

**Moderator:** Thank you sir. Ladies and gentlemen if you have any questions, please press \* and 1 on your telephone keypad. I would now request Mr. Jaya Chandran, CFO of RKEC to give closing comments. Please go ahead.

**R. Jayachandran:** Good afternoon everybody. Thank you all for participating and CMD and his team, the Hem Securities and all the shareholders for their questions and valued suggestions. We have taken note of everything and as promised we will also ensure that we will be doing a concall after every financial results are declared. We would like to convey our sincere thanks for all the shareholders prima facie for accommodating and staying with us during the difficult times of the last two years and we are hopeful that you will be able to rise to your expectations in the coming years. Thank you very much.

**Moderator:** Thank you sir. Now I would request Astha ma'am to give closing comments. Astha ma'am please go ahead.

**Ms. Astha Jain:** On behalf of Hem Securities Ltd, I thank RKEC for giving us detailed insight on the result and the time we spent on this call. I would also like to thank all the participants for joining this call. It was an extremely fruitful discussion. Thank you all for being on the call. Now I would like to hand over to the Moderataor.

**Moderator:** Thank you ma'am. On behalf of Hem Securities Limited, that concludes the conference call. Thank you for joining. You may disconnect your lines now. Thank you and have a pleasant evening everyone.

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**Note:**

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.