

# Management Discussion and Analysis

## Forward looking statement -

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events.

The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company assumes no responsibility to publicly amend, modify or revise forward looking statements, on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include changes in government regulations, tax laws, economic developments within the country and such other factors globally.

The financial statements are prepared as per the IND AS guidelines and comply with the Accounting Standards notified under Section 211(3C) of the Act read with the Companies (Accounting Standards) Rules, 2006. The management of Rudrabhishek Enterprises Limited has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements, reflect in a true and fair manner, the state of affairs and profit for the year.

The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the annual report. Unless otherwise specified or the context otherwise requires, all references herein to "we", "us", "our", "the Company", "REPL" are to Rudrabhishek Enterprises Ltd.

## GLOBAL INDUSTRY SCENARIO

The global infrastructure industry has been growing significantly over the recent years. Infrastructure is an integral part of a nation's growth. Roads, airports, rail and telecom networks are essential services that drive economic activity by channelizing trade and mobility. A well-functioning and modern infrastructure can be a catalyst to economic development and quality of life. This also encompasses sanitation, electricity distribution and such amenities that matter in urban planning.

The need for infrastructure development is being spearheaded by the Asia region – primarily China, India and Japan. These countries comprise 39% of global infrastructure investment needs. China alone is expected to require about \$28 trillion in infrastructure investment, which is over half of Asia's total requirement, and 30% of the global investment requirement. Infrastructure spending in Western Europe, the US and Canada (which together account for 50% of global GDP) has plateaued relatively, with muted growth. This is mainly since these economies are mature and developed, with robust infrastructure already in place.

Ghana and Ethiopia are also expected to record fast growth in infrastructure till 2020, followed by Malaysia. The Middle East and Africa regions are particularly strong in terms of investment in railways. Infrastructure in Qatar, for example, is expected to grow

by 25.2% on average each year to 2020, driven by the \$44.4bn Rail Integrated Network project currently under construction in Doha, which will add 1,010km to an almost non-existent rail network.

The global infrastructure market is set to grow by 6% per year until 2020. As per recent research reports, global spending on infrastructure development is likely to increase from the present \$2.5 trillion to almost \$9 trillion by 2025. A new report from Timetric's Infrastructure Intelligence Center (InfraIC), Global Infrastructure Outlook, reveals that the global infrastructure market is expected to grow to \$4.2tr in 2020, after reaching \$3.1tr in 2016. Majority (53.3%) of the projects are owned by the public sector, while 27.3% are owned by both the public and private sectors. The remaining 19.4% are privately owned.

Electricity and power projects dominate the infrastructure construction market with 6,171 projects in the pipeline, according to reports. This is followed by roads with 2,887 projects, railways with 1,641, airports and ports with 1,237, and water and sewerage with 853. In terms of total investment value, power and electricity projects are at the forefront with \$5.4tr, while railways, valued at \$5.2tr, account for the second-largest sector. Road projects recorded the third-largest cost share of \$1.9tr, followed by airports and ports (\$1.2tr) and water and sewerage (\$421.5bn).

In keeping pace with rising economic activity and shifting demographic trends, infrastructure spending will largely be driven by emerging economies. While growing urbanization in countries like China, India, Indonesia and Nigeria will help boost infrastructure in sectors such as power and transport, rising economic prosperity will drive infrastructure financing in transportation and manufacturing for the consumer sectors. As these sectors have potential to fetch larger investments in near future, governments are taking initiatives by floating tenders, reflecting opportunities in building infrastructure for specific sectors.

To meet the infrastructure investment needs globally, the proportion of the world's GDP dedicated to infrastructure will have to be raised to 3.5%, from the present 3%. Such an outlook bodes well for companies in this sector.

Sources: 'Global Infrastructure Outlook' – Oxford Economics, World Bank, World Construction Network

## INDIAN INFRASTRUCTURE INDUSTRY

The logistics & infrastructure industry in India has witnessed tremendous growth over the recent years. India ranked 44th among 167 countries in the World Bank's Logistics Performance Index (LPI) 2018. Foreign Direct Investment (FDI) received in the construction development sector (townships, housing, built up infrastructure and construction projects) from April 2000 to June 2018 was estimated at \$24.87 billion, according to the Department of Industrial Policy and Promotion (DIPP). Moreover, the logistics sector in India is growing at a rate of 10.5% annually and is expected to reach \$215 billion in 2020.

Increased impetus to develop infrastructure in the country is attracting both domestic and international players. The private sector is emerging as a significant driving factor in infrastructure projects, ranging from roads and communications to power and

airports. In order to boost the construction of buildings in the country, the Government of India has decided to come up with a single window clearance facility to accord speedy approval of construction projects.

Significant allocation to the infrastructure sector in the 12th Five-Year Plan, and an investment requirement of \$1 trillion, is expected to generate huge demand for construction services in India. The country needs around 55 new airports by 2030 with an investment of \$36-45 billion. In the roads sector, the government's policy to increase private sector participation has proved to be a boon for the industry with a large number of private players entering through public-private partnerships (PPP). During the next five years, investment through PPP is expected to be \$31 billion. Such trends would prove beneficial for companies offering construction and infrastructure related services.

Sectors such as power transmission, roads & highways and renewable energy will drive the investments in the coming years. In October 2017, road projects worth Rs 6.92 trillion (\$ 107.64 billion) were approved to build an 83,677 km road network in the country. In August 2017, a new Metro Rail Policy was announced to boost private investment in the sector. In January 2018, the National Investment and Infrastructure Fund (NIIF) partnered with UAE-based DP World to create a platform to mobilize investments worth \$3 billion into ports, terminals, transportation, and logistics businesses in India. The Government is also working on improving the energy infrastructure in the country; investment opportunities worth \$300 billion will be available in the sector over the next decade.

As per industry estimates, India requires investments worth Rs. 50 trillion (\$777.73 billion) in infrastructure by 2022 to have sustainable development in the country. The industry has attracted significant interest from international investors. Some key developments/ investments in the sector include:

- In June 2018, the Asian Infrastructure Investment Bank (AIIB) announced \$200 million investment into the National Investment & Infrastructure Fund (NIIF).
- Private equity and venture capital (PE/VC) investments in the infrastructure sector reached \$1,827 million during January-November 2018.
- Indian infrastructure sector witnessed 91 M&A deals worth \$5.4 billion in 2017.

#### Government Initiatives

The Government of India has been undertaking several initiatives to boost and support the infrastructure industry in the country. It is expected to continue substantial investments in this sector, especially towards highways, urban transport and renewable energy.

#### Announcements in Union Budget 2018-19:

1. Allocation of Rs 5.97 lakh crore (\$92.22 billion) for the infrastructure sector.
2. Railways received the highest ever budgetary allocation of Rs 1.48 trillion (\$22.86 billion).
3. Rs 16,000 crore (\$2.47 billion) towards Sahaj Bijli Har Ghar Yojana (Saubhagya) scheme. The scheme aims to achieve universal household electrification in the country.

4. Rs 4,200 crore (\$648.75 billion) to increase capacity of Green Energy Corridor Project along with other wind and solar power projects.
5. Allocation of Rs 10,000 crore (\$1.55 billion) to boost telecom infrastructure.
6. A new committee to lay down standards for metro rail systems was approved in June 2018. As of August 2018, 22 metro rail projects were ongoing or were under construction.
7. Rs 2.05 lakh crore (\$ 31.81 billion) would be invested in the smart cities mission. Almost 100 cities had been selected as of June 2018.
8. The Government of India is working to ensure a good living habitat for the poor in the country and has launched the flagship urban mission, the Pradhan Mantri Awas Yojana (Urban). In May 2018, construction of additional 150,000 affordable houses were sanctioned under this scheme.

India and Japan have joined hands for infrastructure development in India's north-eastern states and are also setting up an India-Japan Coordination Forum for the Development of North East, to undertake strategic infrastructure projects in the region.

Source: IBEF – <https://www.ibef.org/industry/infrastructure-sector-india.aspx>

<https://www.ibef.org/archives/detail/cHJlc2VudGF0aW9ucyYzNzc5MSYxMDk=>

#### ABOUT RUDRABHISHEK ENTERPRISES LTD

Rudrabhishek Enterprises Limited (REPL) operates as an integrated urban development & infrastructure consultant, with a legacy of over 25 Years. The Company engages in infrastructure and real estate consultancy, urban planning, building designing, structural designing, services designing, project management consultancy, and geographic information systems (GIS). REPL integrates a diverse range of services to deliver end-to-end consultancy, covering viability analysis, infrastructure services, services design (MEP), project management consultancy (PMC), and strategic marketing advisory.

REPL, through its group companies & subsidiaries, manages projects right from the ideation stage through planning, designing, execution and marketing. The Company has various green-field and brown-field projects in its portfolio, which it has converted to integrated hi-tech townships, smart cities, IT parks or SEZs. The Company's projects encompass real estate (residential, commercial, group housing & integrated township projects), retail (malls & office complexes), hospitality & healthcare, recreation (sports stadiums, clubs), water sanitation & environment, solid waste management, and hi-tech and smart cities.

Under the Smart City Mission of the Government of India, REPL is actively involved in conceptualization, planning and implementation of multiple smart cities viz., Varanasi (UP), Indore (MP), Kanpur (UP) and Dehradun (Uttarakhand) & Moradabad (UP). Moreover, REPL has also won PMC work under Pradhan Mantri Awas Yojana (PMAY) for Meerut Moradabad & Chitrakoot cluster comprising 128 towns in U.P. REPL's in-house teams of qualified and experienced financial analysts, engineers, urban planners, building design experts, GIS experts and project managers, are complemented with strategic partnerships with reputed firms

having complimentary skill-sets, to provide inclusive services to clients.

REPL's client includes the Government, public and private sectors. The Company handles projects across the country from branch offices at Delhi, Noida & Lucknow; and project offices at Varanasi, Indore & Kanpur. The Company's Singapore-based subsidiary – RSPL – caters to clients in the South East Asia region. REPL converted to a Public Limited Company in November 2017, and later got listed with the Emerge platform of National Stock Exchange of India (NSE-SME Sector) in July 2018.

### CONSOLIDATED FINANCIAL OVERVIEW

Particulars (Rs. Cr)	2018-19
Revenue from Operations	52.5
Total Expenses	42.1
Profit before Tax	10.5
Tax Expenses	2.6
Profit after Tax for the year	8.5

The consolidated performance of the Company for the financial year ended March 31st, 2019, is as follows:

Total revenue from operations was at Rs. 52.5 crore for the year ended March 31st, 2019, as against Rs. 42.6 crore for the corresponding previous period, an increase of 23.3%, mainly on account of higher number of projects executed.

The employee expenses for the financial year ended March 31st, 2019 were Rs. 16.7 crore as against Rs. 19.1 crore for the corresponding previous period, a decrease of 12.5%.

Other expenses for the financial year ended March 31st, 2019 were Rs. 27.8 crore as against Rs. 17.6 crore for the corresponding previous period, an increase of 58%.

The EBITDA (earnings before interest, depreciation and tax) was Rs. 10.4 crore for the year ended March 31st, 2019, as against Rs. 5.7 crore for the corresponding previous period, an increase of 81.3%.

The depreciation for the financial year ended March 31st, 2019 was Rs. 0.5 crore, as against Rs. 0.9 crore for the corresponding previous period, a decrease of 44.4%.

The interest for the financial year ended March 31st, 2019 was Rs. 0.3 crore as against Rs. 0.5 crore for the corresponding previous period, a decrease of 40%.

The profit after tax and minority interest was Rs. 8.5 crore for the year ended March 31st, 2019, as against Rs. 5.0 crore for the corresponding previous period, an increase of 67.4%.

The EPS (Earning Per Share) for the financial year ended March 31st, 2019 was Rs. 5.21 for a face value of Rs 10 per share, as against Rs. 4.23 for the corresponding previous period.

### RESOURCES AND LIQUIDITY

As on March 31st, 2019, the consolidated net worth stood at Rs. 68.82 crore, while there was no consolidated debt.

The cash and cash equivalents at the end of March 31st, 2019 were Rs. 5.93 crore.

The total debt to equity ratio of the Company was 0.0 as on March 31st, 2019.

### INTERNAL CONTROL SYSTEM & ITS ADEQUACY

Legal and ethical Business has always been a core component of our principles. To ensure the adequacy and efficiency of the various operations, REPL Group has a comprehensive internal control system equipped with qualified and experienced personnel in various departments including Finance, Accounts, Administration, Technical and Corporate affairs. The entire mechanism is constructed and operated under the vision and guidance of the Audit Committee and Board of Directors making the entire process an independent, objective and reasonable mechanism, bringing the adequacy and effectiveness of the organization's risk management, control and governance processes.

The Internal Control Systems ensure smooth corporate functioning and quality management within the company. Every transaction is duly authorized, recorded and reported. The Company has put in place well defined delegation of power with authority, limits for approving revenue as well as capital expenditure. Processes for creating and reviewing the annual and long-term business plans have been laid down. The internal audit is carried out based on internal audit plan, which is reviewed each year in consultation with the Statutory Auditors and the Audit Committee. The internal audit process is designed to review the internal control checks in the system and covers all significant areas of the Company's operations such as sales, purchases, inventory, debtors, creditors, fixed assets and legal compliances.

### RISKS AND CONCERNS

The Company faces the following broad risks:

#### Competition risk

The service sector is highly fragmented and competitive, with the presence of various large and small-scale players. REPL faces risk from competition from other infrastructure services companies, which may affect our order book and top line. The Company also faces competition from foreign larger players which enter the Indian market.

#### Rapid technological developments

REPL uses advanced software and applications in its planning and design operations. Technological advancements and rising needs for data security may entail the Company to increase investments towards its softwares, thereby impacting costs. Moreover, obsolescence of technology may require the Company to make significant capital investments towards new software applications and R&D, to remain competitive.

#### Economic risk

The Company's business may be affected by changes in interest rates, Government policy, taxation and other economic developments affecting India. The Company has defined conservative internal prudential norms. We ensure a favourable debt/equity ratio, moderate liquidity, strong clientele with timely payment track record, and focus on select projects to minimize the impact of adverse conditions.

#### Regulatory risk

If the Company is unable to obtain required approvals and licenses in a timely manner, our business and operations may be adversely affected. We require certain approvals, licenses, registrations and

permissions for operating our business. We may encounter delays in obtaining these requisite approvals, or may not be able to obtain such approvals at all, which may have an adverse effect on our revenues. However, the Government has come up with several initiatives to boost the sector and has planned massive investments in the infrastructure sector. Industry predictions suggest that this will be the trend in the future as well, and given our own experience in obtaining such permissions, we do not expect this risk to affect us materially in the coming years.

#### **OPPORTUNITIES**

- Macro-economic up-swing – leading to improvement in the general economy and correspondingly, infrastructure sector.
- Rising domestic as well as FDI investments in the infrastructure and construction industry in India
- Government support in the form of policies and fund allocations
- The Company's existing relationships with public sector as well as private sector clients, ensuring a stable order book.

#### **THREATS**

- Eco-political headwinds could impact the whole industry
- Dependence on a few large clients could adversely affect the order book
- Entry of the 'big four' consultancy companies into this space could severely increase competition
- Slowdown in the construction sector would hamper the Company's order book and top line.

#### **HUMAN RESOURCES**

REPL has maintained the momentum during the year implementing Human Resource practices for effective staffing, retention, training and staff development, facilitating delivery excellence for our clients. The Company maintains a people-centric focus, with a strategy to develop human resources by providing an open and motivating work environment, fostering continuous improvement and development, providing challenging goals and by creating a culture for learning and growth to our employees. This has helped us acquire a good talent pool.

REPL recognizes people as the primary source of its competitiveness and continues to focus on people development by leveraging technology and developing a continuous learning resource base. The Company has been taking initiatives to harness the inherent strengths of its employees and for continuous improvement in work culture. Presently, the company employs 187 people.

#### **OUTLOOK**

REPL is among the leading integrated service providers in urban

infrastructure development and infrastructure consulting. The Company got listed on the NSE Emerge Platform in July 2018, after which the Company has witnessed a faster growth trajectory, cementing its position in the market.

Equipped with modern, state-of-the-art technology and software, and a skilled resource-base, the Company is well poised to leverage the opportunities that the industry has to offer, with competitive pricing strategies.

Moreover, REPL's wide geographical presence in India gives it a strong position in the domestic markets with ample scope for overseas expansion.

The Company focuses on maintaining a diverse customer-base, to facilitate a more diverse project portfolio and explore new markets. REPL has a good mix of both Government and large private corporates amongst its clientele.

REPL also continues to focus on developing its workforce of all consultants & its staffs with trainings and skill impartment, as it is the intellectual strength that distinguishes the Company in terms of the range of services that it offers. There is an experienced and qualified team focusing on innovation & new formulations to continuously upgrade service offerings to match the demands of the ever-evolving market. The R&D team also focuses on back-testing strategy and simultaneously develops new plans and designs.

The Company shares the government's vision to provide 2 crore affordable houses by FY2022 through financial assistance and with other schemes to ensure electricity and LPG connections, and access to drinking water, sanitation and banking. During 2018-19, REPL received orders from the government of Andhra Pradesh, Uttarakhand, and M/S Uppal Chadda Hi-Tech Developers Pvt. Ltd., and PMC work under PMAY FOR Meerut Moradabad & Chitrakoot cluster comprising 128 towns in U.P.

REPL envisages to increase its brand visibility through various communication tools & promotional initiatives. Going forward, the Company is well positioned to drive the anticipated growth in the Indian infrastructure sector.

#### **Source links for global industry information:**

<https://www.oxfordeconomics.com/recent-releases/Global-Infrastructure-Outlook>

<https://blogs.worldbank.org/ppps/forecasting-infrastructure-investment-needs-50-countries-7-sectors-through-2040>

<https://www.worldconstructionnetwork.com/news/global-infrastructure-market-to-grow-by-60/>

<http://www.tendersinfo.com/blogs/future-of-global-infrastructure-industry-looks-brighter/>