



Press Release

R. S. Development & Constructions India Private Limited

August 07, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-term Bank Facilities	33.12	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Short-term Bank Facilities	70.00	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	103.12 (Rs. One Hundred Three crore and Twelve lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of R. S. Development & Constructions India Private Limited (RSDCPL) derives comfort from its experienced promoters with long operational track record, healthy order book position, continuous growth in operating income coupled with improvement in profitability during FY24 (refers to period April 1st, 2023, to Mar 31st, 2024) provisional and moderate financial risk profile. These rating strengths are partially offset by profitability susceptible to volatile raw material prices, tender driven nature of business in highly fragmented & competitive operating scenario with geographical concentration risk and working capital intensive nature of operation.

Key Rating Sensitivities:

Upward Factors

- Sustained revenue growth coupled with improvement in profit margin on a sustained basis
- Growth in cash accrual and prudent working capital management
- Improvement in leverage ratios

Downward Factors

- Any decline in revenue and profit margin on a sustained basis
- Moderation in the capital structure with deterioration in overall gearing ratio
- Deterioration in debt protection metrics and Total debt/GCA

List of Key Rating Drivers with Detailed Description



Press Release

Key Rating Strengths

- **Experienced promoters with long operational track record**

RSDCPL is established player in the market and has more than two decades of experience in business operations, and the promoters Mr. R. Subramaniam possesses more than five decades of experience in business and Mr. S. Shankar and Mr. S. Sathish are having an experience of more than two decades in civil construction field and have long standing presence of the promoters in the industry has helped the company to establish a healthy relationship with its customers and suppliers.

- **Healthy order book position**

The company has a strong order book amounting to ~Rs. 443.85 crore which is around 2.50x the current revenue of FY2024 (prov.) providing revenue visibility in near to medium term. Successful execution of the projects has also helped in getting repeated and large-sized orders from clients. Timely execution of the contracts awarded will be key for the company in scaling up the current operations.

- **Continuous growth in operating income coupled with improvement in profitability during FY24**

Total operating income (TOI) of the company has increased at CAGR of ~13% during last three financial years and ended at ~Rs.173 crore at the end of FY24 (Prov.) on the back of higher execution of in hand projects. This apart, in FY24, EBITDA margin has improved significantly to 12.85% from 8.04% in FY23 (refers to period April 1st, 2022, to Mar 31st, 2023) on the back of proportionate increase in execution of high margin construction works coupled with stability of raw material price fluctuation. PAT margin also improved to 4.01% during FY24 from 0.04% in FY23 on the back of lowering of interest expense with the lowering of both, mobilization advance and bank borrowing.

- **Moderate financial risk profile**

Financial risk profile of the company remained moderate as on March 31, 2024, marked by moderate capital structure, satisfactory debt coverage indicator and adequate liquidity. The capital structure of the company remained moderate where overall gearing ratio has improved to 1.55x as on March 31, 2024, from 2.06x as on March 31, 2023, on the back accretion of profit to reserve coupled with repayment of term loan and lower utilisation of bank borrowing



Press Release

and lower availment of mobilisation advance. Debt coverage indicators marked by interest coverage ratio, after a decline in FY23 due to higher interest expenses, has improved significantly and remained satisfactory at 2.06x in FY24 (prov.) on the back of significant increase in operating profit level. Overall indebtedness of the company marked by TOL/TNW has also improved to 2.35x as on March 31, 2024(Prov.), against 3.00x as on March 31, 2023 with the lower debt level and improvement in net worth with the accretion of reserve. Current ratio remained satisfactory as on March 31, 2024. This apart, DSCR has also improved to 1.56x as on March 31, 2024, from 1.09x as on March 31, 2023, with the improvement in cash accrual in FY24.

Key Rating Weaknesses

- **Profitability susceptible to volatile raw material prices**

Major raw materials used in construction activities are steel and cement which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability of the group remains susceptible to fluctuation in input prices. However, a presence of escalation clause in most of the contracts provides comfort.

- **Tender driven nature of business in highly fragmented & competitive operating scenario with geographical concentration risk**

The domestic infrastructure works sector is highly crowded with presence of many players with varied statures & capabilities due to which profitability margins come under pressure. Further, the company receives its work orders from government departments through tenders floated by the departments. Economic vulnerability in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the company in the sector. The company primarily receives project in the states of Tamil Nadu and few from Kerala. This exposes to geographical concentration risk to some extent.

- **Working capital intensive nature of operation**

The operation of the company is highly working capital intensive marked by its long operating cycle due to its high collection period and high average work in progress days. Further, blockage of funds in retention money which released only after the completion of certain stage



Press Release

of work also fueled the high working capital requirements. The average collection period, though improved in FY24 to 89 days from 110 days in FY23, also remained stretched mainly due to procedural delays in realizing payment from Government departments. This apart delay in work certification has also elongated inventory period which was at 100 days in FY24, improved from 107 days in FY24. The average working capital utilization is high at around 88% during last 12 months ending in June 2024, which imparts low liquidity buffer.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

RSDCPL has earned a gross cash accrual of Rs. 3.41 crore in FY23 and Rs. 11.03 in FY24(Prov.). Further the company is expected to earn a gross cash accrual in the range of ~Rs. 14 to 22 crore as against its debt repayment obligations around ~Rs. 2 to 3 crore per year during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, average cash credit utilisation of the company remained high at ~88% during the past 12 months ended June 2024 indicating a low liquidity cushion.

About the Company

R. S. Development & Constructions India Private Limited (RSDCPL) was incorporated in 2008 in Chennai and promoted by Mr. R. Subramaniam. Initially, in the year 2000, the current promoter initiated two partnership firm, namely M/s RS Constructions and M/s RS Transports to run civil construction and transportation business respectively and later on amalgamated into RSDCPL since 2008. Currently, the company majorly engaged in civil construction works, i.e., construction of roads, irrigation works, mass earth evacuation, earth filling, canal, and



Press Release

quarry. This apart, the company also engaged in the sale of ready-mix concrete, blue metals, cement, steel etc. The company is headquartered in Chennai and registered as Class-1 contractor under Government of Tamil Nadu.

Currently, Mr. R. Subramaniam, the managing director, look after the day-to-day affairs of the company with adequate support from co-directors and a team of experienced professionals.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	166.89	173.45
EBITDA	13.42	22.28
PAT	0.07	6.98
Total Debt	84.64	74.27
Adjusted Tangible Net Worth	41.05	48.03
EBITDA Margin (%)	8.04	12.85
PAT Margin (%)	0.04	4.01
Overall Gearing Ratio (x)	2.06	1.55
Interest Coverage (x)	1.25	2.06

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: India Ratings vide its press release dated February 08, 2024 has continued the rating under Issuer Not Cooperating category due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
1.	GECL	Long Term	3.12	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	30.00	IVR BBB-/ Stable	-	-	-
3.	Bank Guarantee	Short Term	70.00	IVR A3	-	-	-

Analytical Contacts:

Name: Sanmoy Lahiri

Name: Sandeep Khaitan



Press Release

Tel: (033) 4803 3621

Email: s.lahiri@infomerics.com

Tel: (033) 4803 3621

Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL - 1.0	-	-	-	Nov 2024	0.93	IVR BBB-/ Stable



Press Release

GECL - 1.0 Ext	-	-	-	June 2026	2.19	IVR BBB-/ Stable
Cash Credit	-	-	-	-	30.00#	IVR BBB-/ Stable
Bank Guarantee	-	-	-	-	70.00	IVR A3

#BG of Rs. 5.00 crore is a sublimit

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-RS-Development-07aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.