



## Press Release

### RMN Infrastructure Limited (RMNIL)

December 14, 2023

#### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long term - Fund based limit – Cash Credit	30.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short term - Non-Fund based limit – Bank Guarantee / Letter of Credit	100.00	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>130.00 (Rupees One Hundred Thirty crore only)</b>			

*Details of Facilities are in Annexure 1*

#### Detailed Rationale

The ratings assigned to the bank facilities of RMN Infrastructure Limited (RMNIL) reflects the experience promoters, proven project execution capability, reputed clientele with healthy order book position, scale up of operations with improvement in profitability, comfortable capital structure with healthy debt protection metrics, sufficient asset base and adequate liquidity.

The rating is however constrained on the account of the qualified opinion provided by the auditor of the company, holding in SPVs with defaulted history, tender based nature of business and presence in fragmented industry with intense competition and working capital intensive nature of operations.

#### Key Rating Sensitivities :

##### Upward Factors :

- Growth in scale of operations with improvement in profitability while maintaining the debt protection metrics on a sustained basis
- Steady flow of orders & timely execution of the same on a sustained basis
- Positive and sustainable changes in the internal control systems followed by the company



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### **Downward Factors**

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Moderation in the capital structure with deterioration in overall gearing
- Any deterioration in the internal control systems, financial reporting, or any other adverse findings against the company leading to significant deterioration in the quality of corporate governance

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experience promoters**

The company is promoted by Mr. R Maheshwara Naidu, which was later on converted into a private limited Company in the year 2007. The management has hands-on experience in the EPC industry. Various departments of the company are managed by different directors with experience of more than 3 decades in relevant fields. The company has established presence in the EPC segment especially in the state of Karnataka, through successful order execution in the past.

##### **Proven project execution capability**

Over the past years, the entity has successfully completed many projects in Andhra Pradesh, Telangana & Karnataka and ensured timely completion of its projects. The repeat orders received from its clientele and entering into the Joint ventures with many reputed players in the construction industry validate its construction capabilities.

##### **Reputed clientele with healthy order book position**

The clients of RMNIL consist of reputed government departments and PSUs. The present order book consists of orders from PWD departments, BARC, IRCON, etc. The presence of orders received from these government departments translated to low counter party risk. The company has unexecuted order book of around Rs.3035 crore as at March 31, 2023, translating to order book to TOI position of 2.97 times vis-à-vis the FY23 TOI registered. Timely completion of the existing orders and award of new contracts will continue to remain key rating monitorable.



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### **Sufficient Asset Base**

RMNIL has, over the years, built up a strong asset base and with sizeable asset addition of around Rs.30 crore in the past two years ended March 31, 2023. Going forward, the company has plans to increase its asset base by around Rs.25-30 crore envisaged to be increased proportionately in the upcoming years. This asset addition is proposed to be funded through a mix of debt and equity; however, the major funding is envisaged through debt.

### **Comfortable capital structure with healthy debt protection metrics**

The overall gearing of the company stood comfortable at 0.37x as on March 31, 2023, as against 0.50x on March 31, 2022. The company registered healthy gross cash accruals of around Rs.61.10 crore in FY23 as compared to Rs.42.20 crore registered in FY22. With improvement in the scale of operation in FY22 and stabilization in the year FY23, the company registered an y-o-y improvement in the debt protection metrics such as interest coverage ratio, TD/GCA and DSCR, which remained healthy at 8.71x (PY : 6.42x), 1.16x (PY : 1.69x) and 9.45x (PY: 6.54x) respectively.

### **Scale up of operations with improvement in profitability**

The company has registered a total income of Rs.1020.83 crore in FY23 (A) as compared to the sales registered of Rs.804.72 crore in FY22. The y-o-y growth in the total income was attributed to the timely & faster execution of contracts supported by the increased asset base. The company increased its asset block in last 2 years ended on March 31, 2023, by around Rs.30 crore, supporting the increase in the top line of the company for the reported period. Furthermore, the company reported healthy order book position with unexecuted order book of around Rs.3035 crore as on March 31, 2023 which indicates sustainability of TOI to an extent.

### **Key Rating Weaknesses**

#### **Qualified opinion provided by the auditor of the company**

The auditor of the company has provided a qualified opinion over the inadequate internal financial control systems followed by the company, which may have a material impact on the overall financial performance in the upcoming years. Various steps taken by the



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company to improve in this area alongwith maintaining a stable financial performance, will remain a key rating monitorable.

### **Holding in SPVs with defaulted history**

RMNIL has two SPVs namely GVRMP Whagdhari Ribbanpally Tollway Private Limited and GVRMP Dharwad Ramnagar Tollway Private Limited wherein they hold 24-25% share. These two companies has defaulted in the past. The SPV; GVRMP Whagdhari Ribbanpally Tollway Private Limited has entered into OTS settlement with it's lenders for Rs.95 crore, which is scheduled to be repaid by February 2024. The second SPV GVRMP Dharwad Ramnagar Tollway Private Limited is expected to be taken over by NHAI under the Bharatmala project, however the same is not yet finalized. Neither the company RMNIL nor its directors has provided any corporate guarantee / personal guarantees to these SPVs. However, considering the shareholding in these SPVs, any liability arising from these SPVs will remain a key rating monitorable.

### **Tender based nature of business and presence in fragmented industry with intense competition**

RMNIL operates in a tender based business and faces competition from other national level large players and small unorganized players who generally specialize in one or two business segments. Revenues are dependent on the company's ability to bid successfully for tenders, also bid based / tender based system for availing orders may exert pressure on the profitability of the company. Availing orders and timely execution of the same will remain a key rating monitorable.

### **Working capital intensive nature of operations**

RMNIL's business is working capital intensive on account of high collection period, blockage of funds in the form of security deposit and retention money due to long duration of construction projects, which gets released after respective defect liability period. Further, a large part of working capital remains blocked in unbilled contractual revenue and receivable. However, RMNIL has been able to maintain a moderate operating of less than 40 days



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followed by collection cycle of around 30-60 days, stock (WIP) holding period of 20-30 days and creditor payment period of less than 15 days.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

### **Liquidity – Adequate**

Liquidity position of RMNIL is adequate marked by satisfactory gross cash accruals of Rs.60 crore registered in FY23 against yearly repayment obligations of around Rs.5-22 crore per annum in the next 2-3 years. The fund based working capital limit utilization remained around 82% for the 12 months ended Aug 2023. The cash and bank balance of the company as at FY23 end was around Rs.32.80 crore.

### **About the company :**

Incorporated in 2007, Hyderabad based RMNIL was promoted by Mr. R Maheshwara Naidu, Mrs.R Shailaza, Mr. R Shri Harsha, Mr. R Shiva Prasad, Mr. Ch Muralidhar & Mr. Ravi Beriwalla. RMNIL started operations in 2014 and is engaged in infrastructure development, BOT projects, water supply and sewerage projects, irrigation projects, railway projects, etc. Previously the company was working as a partnership firm and subsequently converted into a closely held public limited company.

### **Financials (Standalone) :**

(Rs. crore)

<b>For the year ended*/As on</b>	<b>31-03-2022</b>	<b>31-03-2023</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	801.56	1018.83
EBITDA	64.80	87.54
PAT	37.74	51.48



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For the year ended*/As on	31-03-2022	31-03-2023
Total debt	71.39	71.03
Tangible Net worth	142.26	192.93
<b>Ratios</b>		
EBITDA Margin (%)	8.08	8.59
PAT Margin (%)	4.69	5.04
Overall Gearing Ratio (x)	0.50	0.37

\*Classification as per Infomerics' Standards

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

### Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long term - Fund based limit – Cash Credit	Long term	30.00	IVR BBB-/ Stable	-	-	-
2.	Short term - Non-Fund based limit – Bank Guarantee / Letter of Credit	Short term	100.00	IVR A3	-	-	-

### Name and Contact Details of the Rating Team:

Mr. Jalaj Srivastava

Tel.: (079) 40393043

Email : [jalaj.srivastava@infomerics.com](mailto:jalaj.srivastava@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





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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.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term - Fund based limit – Cash Credit	--	--	-	30.00	IVR BBB-/ Stable
Short term - Non-Fund based limit – Bank Guarantee / Letter of Credit	--	--	--	100.00	IVR A3



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**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-RMN-dec23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument / facilities:** 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](http://www.infomerics.com).