



Press Release

R.R. Constructions and Infrastructure India Private Limited (RRCIPL)

November 05, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	27.00 (Enhanced from 26.50)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB/ Negative (IVR Triple B with Negative Outlook)	Downgraded	Simple
Short Term Bank Facilities	66.50 (Reduced from 67.00)	IVR A3 (IVR A Three)	IVR A3+ (IVR A Three Plus)	Downgraded	Simple
Total	93.50 (Rupees Ninety-three crore and fifty lakhs 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

Infomerics Ratings has downgraded the ratings assigned to the bank facilities of R.R. Constructions and Infrastructure India Private Limited (RRCIPL). The downgrade in the ratings is on account of slow moving and stuck projects thus impacting revenues and elongated operating cycle due to stuck debtors. The rating continues to factor in experienced promoters & management team, healthy capital structure and debt protection metrics. However, these rating strengths are further constrained by sectoral and geographical concentration of order book, tender-based nature of operations with intense competition in the industry and susceptibility of profitability to volatility in the input prices.

The outlook has been revised to Stable reflecting stable business risk profile backed by available order book indicating medium term revenue visibility and healthy capital structure and debt protection metrics.

Key Rating Sensitivities:



Press Release

Upward Factors

- Substantial increase in scale of operations and profitability on a sustained basis.
- Completion of slow moving and pending projects.
- Improvement in working capital cycle with recovery of the stuck receivables.

Downward Factors

- Decline in revenues and profitability thus impacting the cash accruals and debt protection metrics of the company.
- Stretch in working capital cycle impacting liquidity position of the company.
- Sharp changes in leverage ratios.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management team

The founder promoters, Mr. V. Mani Raju and Mr. P. Ravi Shankar, both civil engineers with over 25 years of experience in the civil construction field look after the operations of the company. They are well supported by a management team comprising of qualified and experienced professionals.

Healthy capital structure and debt protection metrics

Tangible networth of the company stood at Rs.229.37 crore as on March 31, 2024. However, after adjusting exposure to group/associate companies, loans and advances given to group companies and long pending debtors for more than 365 days adjusted tangible net worth (ATNW) of the company continued to be healthy at Rs.108.39 crore as on March 31,2024 against Rs. 93.68 crore as on March 31,2023. Total debt of the company has reduced significantly to Rs.19.34 crore as on March 31,2024, from Rs.39.05 crore as on March 31,2023. Total debt of the company consists of term loan from banks of Rs. 5.72 crore, GECL loan of Rs.5.20 crore and working capital limits of Rs.8.42 crore as on March 31,2024. The adjusted overall gearing stood at 0.18x as on March 31,2024(PY: 0.42x) and TOL/ATNW stood at 0.84x as on March 31,2024 (PY: 1.51x). Further, the company has given corporate guarantees aggregating to Rs. 85.71 crore to two subsidiaries. The overall gearing including guaranteed debt moderated to 0.97x and TOL/ATNW of 1.63x as on March 31, 2024.



Press Release

However, the two PWD HAM projects are operational and have started receiving annuities. The debt protection metrics like interest coverage ratio was on similar lines at 3.95x in FY24 against 3.38x in FY23. Total debt to EBITDA improved significantly to 0.94x as on March 31,2024 from 2.47x as on March 31,2023. Further there is a significant increase in the company's contingent liability to Rs.146.20 crore as on March 31, 2024, which is ~135% of ATNW. The increase is on account of reassessment of the tax liability for the past years against which the company has made an appeal with the respective authority.

Key Rating Weaknesses

Slow moving/ stuck projects along with concentrated order book

As on September 01,2024 company had a total unexecuted order book of Rs.1492.84 crore comprising 22 orders. However, projects worth Rs.1079.64 crore of the total unexecuted order book are slow moving/ stuck. These projects have a tenure of 12-36 months and are as old as 2016 and still pending to be completed. Two canal projects in Andhra Pradesh aggregating to Rs.939.30 crore are amongst the major stuck projects forming ~63% of the total order book. (One project is Rs.761.56 crore and the other is Rs.177.44 crore). The projects are stuck due to various reasons like delays in land acquisition, forest clearance and design approvals. Of the total order book fresh orders to the tune of Rs.311.83 crore were secured in FY24 and Rs.68.03 crore till date in FY25. Considering balance projects of Rs.413.20 crore the company's order book is only 2.03x of the total operating income of FY24 though indicating medium term revenue visibility.

Further the present order book has sectoral and geographical concentration. It is skewed towards construction of canal tunnel/canal work (~72%) and pipeline work (~24%) in the state of Andhra Pradesh (~88%) and Maharashtra (~10%). Also of the total order book ~70% of the projects are through various joint ventures. The top 5 customers formed ~64% of the total revenues in FY24.

Elongated debtors

The company's collections days has improved from 243 days as on March 31,2023 to 177 days as on March 31,2024. The total debtors outstanding for more than 356 days reduced to Rs.27.67 crore as on September 30,2024 from Rs.37.76 crore as on March 31,2024. However, they formed ~41% of the total debtors. These debtors are majorly from Andhra Pradesh government and from a project in Uttarakhand. These projects though completed



Press Release

company has no visibility on timelines for recovery of these dues but is confident that they will be recovered as they are from the government.

Tender-based nature of operations with intense competition in the industry

The company is mostly getting its orders through tenders floated by various government departments. As the infrastructure industry is highly fragmented due to presence of many organized and unorganized players tender driven nature of business leads to volatility in revenue and profitability. Further, being in infrastructure segment the company is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in execution etc.

Susceptibility of profitability to volatility in the input prices

Major raw materials used in civil construction activities are steel, bitumen and cement which are usually sourced from large players at proximate distances. Historically, the cost of these raw materials and steel products have been volatile in nature and hence, profitability margins of the firm are susceptible to fluctuation in raw material prices. However, firm has been able to mitigate the effect volatility to a certain extent with the inherent cost escalation clause added into the contracts.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology-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

The company's liquidity position is expected to be adequate in the near to medium term. The expected cash accruals in the projected period FY25-27 are sufficient against debt repayment



Press Release

obligations The company had high fund based average working capital utilisation of 88.91% for the last 12 months ended August 2024 resulting in limited liquidity buffer. The company has also availed adhoc limits in the months December 2023 to February 2024. As of March 31, 2024, the company had cash & bank balance of Rs.0.43 crore.

About the Company

R.R. Constructions and Infrastructure India Pvt Ltd was set up in as a partnership firm by Mr. V. Mani Raju and Mr. P. Ravi Shankar under the name "RR Constructions" at Hyderabad. Subsequently in 2007, the firm was converted into a private limited company and rechristened as its present name. The company is engaged in the execution of small civil projects and has executed various types of civil, structural, mechanical and electrical contracts including architectural designs and provided consultancy services in the fields of transportation, irrigation, thermal power, hydro power, wind power, dams, barrages, bridges and river training, mining works, water supply and sewerage systems.

Financials (Standalone):

(Rs. Crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	183.66	203.73
EBITDA	15.82	20.49
PAT	9.75	9.88
Total Debt	39.05	19.34
Tangible Net Worth	219.49	229.37
EBITDA Margin (%)	8.61	10.06
PAT Margin (%)	5.08	4.79
Overall Gearing Ratio (x)	0.18	0.08
Interest Coverage (x)	3.38	3.95

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



Press Release

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
					August 08,2023	May 10,2022	April 29,2022	
1.	Fund based bank facilities- Cash Credit	Long term	27.00	IVR BBB-/Stable	IVR BBB/Negative	IVR BBB/Stable	IVR BB+/ ISSUER NOT COOPERATING	-
2.	Non- Fund based bank facilities- Bank Guarantee	Short term	66.50	IVR A3	IVR A3+	IVR A3+	IVR A4+/ ISSUER NOT COOPERATING	-

Name and Contact Details of the Rating Analyst:

Name: Neha Khan Tel: (022) 62396023 Email: neha.khan@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.



Press Release

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 or to sanction, renew, disburse or recall the concerned bank facilities. 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. 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: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund based Bank Facilities-Cash Credit	-	-	-	-	27.00	IVR BBB-/Stable
Short Term Non-Fund based bank facilities-Bank Guarantee	-	-	-	-	66.50	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-RRCIPL-nov24.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.