



## Press Release

**Rithwik Projects Private Limited**  
**September 09, 2020**

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Bank Facilities-Long Term	350.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
2	Bank Facilities-Short Term	1750.16	IVR A3 (IVR A Three)	Assigned
	<b>Total</b>	<b>2100.16</b>		

### Details of Facilities are in Annexure 1

### Detailed Rationale

The rating assigned to the bank facilities of Rithwik Projects Private Limited derives comfort from its experienced management, adequate capital structure and average debt protection metrics, reputed clientele with proven project execution capability, majority of fleet of equipment is owned by RPPL; leading to operational efficiency and strong order book reflecting satisfactory medium-term revenue visibility. The rating also considers moderation in operating performance in FY19 and FY20, susceptibility of operating margin to volatility in input prices albeit comfort due to presence of escalation clause, tender-based nature of operations with intense competition in the industry, customer concentration risk and moderate working capital intensity.

### Key Rating Sensitivities:

### Upward Rating Factors

- Sustenance of growth in scale of operations with improvement in profitability
- Steady flow of orders & timely execution of the same on a sustained basis
- Containment of operating costs in the wake of increasing competition
- Sustenance of capital structure



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### Downward Rating Factors

- Elongation in working capital cycle
- Any deterioration in liquidity profile on a sustained basis
- Moderation in the capital structure with deterioration in overall gearing

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced Management**

Rithwik Projects Pvt Ltd (RPPL) is promoted by Mr. C.M. Rajesh who has a long standing experience in the civil construction sector. He is at the helm of affairs of the company with about two decades of experience. Under the leadership of Mr. C. M. Rajesh the company has exhibited satisfactory growth over the years. The company has acquired strong engineering acumen in irrigation projects through its successful operations over the years.

- **Adequate capital structure and average debt protection metrics**

The overall gearing ratio remained satisfactory at 0.95x as on March 31, 2020 with a net worth base of Rs. 429.43 crore as on March 31, 2020 which provides financial flexibility. Further, the debt protection metrics of the company remained adequate with interest coverage ratio at 2.21x and long debt to GCA at 3.72 years in as on March 31, 2020. Total indebtedness as reflected by the TOL/TNW remained comfortable at 2.63x as on March 31, 2020. Further, the average cash credit limit utilization of the company remained high at ~107% during the past 12 months ended June, 2020 since the company was under stress driven by delay in realization from the government.

- **Reputed clientele with proven project execution capability**

Over the years, the company has successfully completed many projects across the state for various medium to large government companies and departments. The company has major focus in executing irrigation projects (mainly in dam, tunnel making). RPPL bids for tenders floated by various government entities. The repeat orders received from its clientele validate its construction capabilities. In order to manage the projects in a better way and to grow in a balanced way, the company handles limited number of projects at a time to ensure timely completion.



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- **Majority of fleet of equipment is owned by RPPL; leading to operational efficiency**

RPPL has continuously added to its fleet of plant and machinery to complete the orders on time. The company has a large fleet of owned equipment including dumpers, tankers, crushers, transit mixers, loaders etc.

- **Strong order book reflecting satisfactory medium-term revenue visibility**

RPPL had a healthy order book of ~Rs. 6376.70 Crore as on June 30, 2020 (6.27x the revenue for FY20) which provides healthy revenue visibility over the medium term. Based on the strong order book and prior track record of the company to execute projects in a timely manner, Infomerics expects that the company will maintain a steady growth in FY21.

### Key Weaknesses

- **Moderation in operating performance in FY19 and FY20**

RPPL's total operating income declined in FY19 and stood at Rs. 1344.85 crore from Rs. 1437.26 crore driven by introduction of GST which slowed the growth due to lack of clarity on slabs and resulted in delay in realization and having its cascading effect on work in progress had resulted lower. In FY20 the operating income declined by ~24.39% y-o-y and stood at Rs. 1016.89 crore majorly due to change in government in the state of Andhra Pradesh. The newly elected Government had held back all the payable for want of review. As per the policies adopted by the new government, all the newly bagged projects have been cancelled, the projects under 25% of completion were under review and cancellation and finally holding all the bills which have already been cleared and passed in Treasury Department to the extent of Rs. 170 Crore for the company. These initiatives from the newly elected Government of Andhra Pradesh had adverse effect on the realization of Bills and had cascading effect on the performance during FY 20.

- **Susceptibility of operating margin to volatility in input prices albeit comfort due to presence of escalation clause**

Major raw materials used by the company steel, cement (for masonry dams) and high fuel and labour charges (for earthen dams) which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the



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profitability of the company remains susceptible to fluctuations. However, a presence of escalation clause in most of the contracts imparts comfort to an extent.

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

The domestic construction sector is highly crowded with presence of many players with varied statures & capabilities. Further, RPPL receives all its work orders from government departments through tenders floated by the departments and based on its ability to secure these tenders amidst intense price war. Profit margin of the company may come under pressure because of this competitive nature of the industry. However, the promoters' long industry presence imparts comfort.

- **Customer Concentration risk**

The Company is exposed to customer concentration risk as the major portion of the projects in the order books (63%) are from three customers. Moreover, the present order book is skewed towards road and tunnel construction related projects indicating a sectorial concentration risk. However, the company has adequate experience in order to execute projects in the state of Uttarakhand, Maharashtra and Andhra Pradesh which provide a comfort and these major projects are backed by specific funding / financial tie-up for regular bill payments.

- **Moderate Working Capital intensity**

Construction business, by its nature, is working capital intensive as a large amount of working capital remains blocked in earnest money deposits and retention money. This apart, its clients are government departments/entities having various procedural requirements where payments are relatively slow. The Operating Cycle stood high at 189 days in FY20 driven by elongated inventory cycle of 205 days and average collection period 88 days. Despite the high trade receivables, comfort can be derived from the fact that the dues are from various government departments. Further, the company's creditor's period is also high as it tries to match the payments of its suppliers with its receipt of payments from debtors.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Infrastructure Companies



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Financial Ratios & Interpretation (Non-financial Sector)

### Liquidity: Adequate

The liquidity ratios of the company remained healthy with the current ratio at 2.08x and the quick ratio at 1.41x as on March 31, 2020. The company has repaid the debt worth Rs. 119.55 crore in FY20 from combination of internal accruals as well as arbitration award received. As on June 30, 2020 the outstanding term loan amount stands at around Rs.133.32 crore. Also, the company is expecting Rs. 252 crore to be receive in FY21 from retention money release and arbitration award from which whole term loan would be repaid. However, RPPL's utilization of the bank limits was high at around ~107% over the last 12 months ended on June 30, 2020.

### About the Company

Rithwik Projects Private Limited was incorporated in the year 1999 in Hyderabad with an objective to carry on EPC Business in Irrigation and Road Sectors. The Company is engaged in Irrigation, Construction of DAMs, Barrages, Spillways, Canals, Construction of Hydro Power Projects, Townships, Railway, Tunnels and Road Works.

### Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2019 Audited	31-03-2020 Provisional
Total Operating Income	1344.85	1016.89
EBITDA	151.43	133.15
PAT	46.42	34.56
Total Debt	402.82	408.83
Tangible Net worth	394.87	429.43
EBITDA Margin (%)	11.26	13.09
PAT Margin (%)	3.43	3.38
Overall Gearing Ratio (x)^	1.02	0.95

Status of non-cooperation with previous CRA: Nil



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Any other information: Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	180.00	IVR BBB-/Stable	-	-	-
2.	Term Loan	Long Term	170.00	IVR BBB-/Stable	-	-	-
3.	Bank Guarantee/LC Limit	Short Term	1750.16	IVR A3			

**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).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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 Bank Facilities- Cash Credit	-	-	-	180.00	IVR BBB- /Stable
Long Term Bank Facilities- Term Loan	-	-	December, 2022	170.00	IVR BBB- /Stable
Short Term Bank Facilities – Bank Guarantee/ LC Limits	-	-	-	1750.16	IVR A3