



Press Release

R. R. Constructions and Infrastructure India Pvt Ltd

February 03, 2021

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	27.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Upgraded
Short Term Bank Facilities	67.00	IVR A3+ (IVR A Three Plus)	Upgraded
Total	94.00 (Ninety Four Crore)		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has upgraded the Rating on the bank facility of R. R. Constructions and Infrastructure India Pvt Ltd (RRCIPL) to IVR BBB/Stable/IVR A3+ from IVR BBB-/Stable/IVR A3.

The rating upgrade reflects Infomerics' belief that RRCIPL's business risk profile shall continue to improve over the medium term, marked by sustained growth in revenue and comfortable capital structure. The turnover grew by around 150 percent in fiscal 2020 to Rs.385.29 crore, supported by healthy order book and better execution of projects.

The aforesaid rating to the bank facility of RRCIPL continues to derive comfort from Long track record & established presence in the construction sector, Experienced promoters & management team, Proven project execution capability, Comfortable capital structure and debt protection metrics and Robust order book position & growth in revenue. However, the rating strengths are partially offset by Geographical and client Concentration Risk, Volatile input prices and Highly fragmented & competitive nature of the construction sector with significant price war.



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Key Rating Sensitivities:

Upward Factors

- Ability to complete pending projects within the completion date.
- Improvement in profitability.

Downward Factors

- Sharp changes in leverage.
- Decline in profitability and elongation in operating cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record & established presence in the construction sector

Having been incorporated in 1994, the company has a track record of more than two decades with the current promoters managing the company since inception. The company has executed various types of civil and structural construction projects, in the fields of transportation, irrigation, thermal power, barrages, bridges and river training, infrastructure development water supply and sewerage systems in India.

Experienced promoters & management team

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

Proven project execution capability

Over the years, the company has successfully completed many projects across the country for PWD, NHAI and other government bodies. In order to manage the projects in a better way, the company handles limited number of projects at a time to ensure timely completion. The repeat orders received from its clientele validate its construction capabilities.

Comfortable capital structure and debt protection metrics

Considering the working capital intensive nature of operation, the company has a comfortable capital structure with overall gearing ratio being 0.40x as on March 31, 2020. The total debt



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comprises of long-term debt amounting to Rs. 12.93 crore taken for purchase of construction equipment and the balance is fund based working capital. Further the company's debt protections parameters are also comfortable, marked by interest coverage ratio of 5.71x as on March 31, 2020.

Robust order book position & growth in revenue

There has been a constant improvement in the performance of the Company in terms of growth in revenue. The Company posted excellent revenue growth from Rs.154.14 crore in FY19 to Rs.387.38 crore in FY20 with a growth of ~150%. Improvement in revenue is backed by increased orders coupled with execution.

Key Rating Weaknesses

Geographical and client Concentration Risk

The company's geographic-concentration risk remains moderately high as it executes more than 85% of projects from the states of Maharashtra and also top 5 clients share around 96% in FY20 thus posing client concentration risk too. However, company has started expanding its business and has got orders from State of Jharkhand and Andhra Pradesh.

Volatile input prices

Major raw materials used in civil/railway construction activities are steel 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 company are susceptible to fluctuation in raw material prices and/or finished products. However, the company has been able to shake off the effect of volatility to a certain extent with the help of inherent cost escalation clause added into the contracts.

Highly fragmented & competitive nature of the construction sector with significant price war

The domestic infrastructure/construction sector is highly fragmented with presence of many players with varied stature & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern as the same can dent the margins.

Analytical Approach: Standalone



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Applicable Criteria:

- Rating Methodology for Infrastructure Companies
- Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The Company has been earning a comfortable level of GCA for the last few years and the same is expected to increase further with increase in scale of operations. The company maintains sufficient cash and bank balance to meet its liquidity requirements. As at March 31, 2020, the company had cash & balance of INR14.36Crore. Average of maximum month-end CC utilisation stood at ~52% over the last 12 months. Overall liquidity position is adequate.

About the Company

R.R. Constructions and Infrastructure India Pvt Ltd (RRCIPL) was set up in 1994 by two entrepreneurs, V. Mani Raju and P. Ravi Shankar as a partnership firm under the name and style of "RR Constructions" at Chennai. Subsequently in 2007, the firm was converted into a private limited company and rechristened as its present name. The company was engaged in the execution of small civil projects. Since then, the company executed various types of civil, structural, mechanical and electrical contracts in the fields of transportation, irrigation, dams, barrages, water supply and sewerage systems. Currently, the company is into construction of projects as EPC (Engineering, Procurement, Construction) contractor and under Hybrid Annuity Model (HAM) through SPVs.

Financials (Standalone):

(Rs. Crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	151.89	385.29
EBITDA	17.22	38.40
PAT	8.10	20.02



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Total Debt	48.58	32.78
Tangible Net Worth	90.05	122.07
EBITDA Margin (%)	11.34	9.97
PAT Margin (%)	5.26	5.17
Overall Gearing Ratio (x)	0.56	0.40

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (Dated:24.01.2020)	Date(s) & Rating(s) assigned in 2018-19 (Dated:06.12.2018)	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility – Fund Based – Cash Credit	Long Term	27.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	-
2.	Short Term Facility – Non Fund Based – Bank Guarantee	Short Term	67.00	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	-

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.

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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
Fund based (Long Term) Cash Credit	-	-	Revolving	27.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)
Non-Fund based (Short Term) Bank Guarantee	-	-	-	67.00	IVR A3+ (IVR A Three Plus)