



Press Release

Sri Raja Rajeswari Constructions (India) Private Limited

May 06, 2021

Ratings

Sl. No	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term Bank Facilities	6.43	IVR BBB-/Credit watch with developing implications (IVR Triple B Minus under credit watch with developing implications)	Assigned
2	Short Term Bank Facilities	143.57 (including proposed limit of Rs. 53.57 cr)	IVR A3/Credit watch with developing implications (IVR A Three under credit watch with developing implications)	Assigned
	Total	150.00 (Rupees One Hundred Fifty Crore only)		

Details of Facilities are in Annexure 1.

Detailed Rationale

The ratings assigned to the bank facilities of Sri Raja Rajeswari Constructions (India) Private Limited (SRRCIPL) derives strength from long track record of the company in the civil construction Industry under experienced promoters, strong order book reflecting satisfactory medium to long term revenue visibility, adequate margins and debt protection metrics. However, these rating strengths are constrained by fluctuating revenues in the past fiscals, presence in a highly competitive industry and tender driven nature of the business. Thee ratings also notes its high revenue concentration risks, substantial debt repayment obligation in the near term and working Capital intensive nature of operations leading to moderate capital structure. The ratings remain under credit watch with developing implications owing to uncertainty in the operating scenario amidst second wave of Covid-19 pandemic across the country and risks related to execution of projects in hand. Infomerics will continue to monitor the



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developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Rating Sensitivities:

Upward Factors:

- Substantial and sustained growth in operating income and improvement in profitability
- Improvements in the order book position of the company.
- Improvement in the capital structure and debt protection metrics with overall gearing move to below 1x.

Downward factors:

- Substantial deterioration in operating income and/or profitability on a sustained basis
- Delay in execution of orders, elongation in working capital cycle than envisaged impacting cash flows subsequently impacting the capital structure.
- Delay in release of bank guarantees from state govt. department.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of the company in the civil construction Industry

The company is promoted by Mr. R Muthaiah and Mr. R Ramu who have a significant experience spanning to three decades in the civil construction industry. The promoters are well supported by a team of experienced professionals. SRRC is a special class contractor with Telangana Govt & Andhra Pradesh Government departments enabling them to bid for large ticket size projects.

Strong order book reflecting satisfactory medium to long term revenue visibility

The company has an unexecuted order book position of Rs.2184.23 Crs as on March 31,2021 which are to be executed over a period of next 2-3 years. The outstanding order book position stands at 4.25 times of TOI for FY2020 providing a revenue visibility over medium term. Further, the outstanding BG's stood at ~ Rs 43.34 crore as of March 31,2021 enabling scope for bidding for new projects.



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Adequate margins and debt protection metrics

The profit margins of the company had remained adequate over the last few years given the effective cost controls also impacting the coverage indicators. EBIDTA Margin of the company has improved from 12.50% in FY2019 to 14.56% in FY20. Moreover, PAT Margin of the company stood at 5.54% in FY2020. ISCR of the company stood at 7.29 times in FY2020 and FY2019.

Key Rating Weaknesses

Fluctuating revenues in the past fiscals; moderate capital structure

The civil construction company revenues remain a function of crystallisation of bills. The company revenues have exhibited significant fluctuations in the past fiscals. TOI of the company has declined from Rs.739.63 crore in FY19 to Rs. 513.75 crs in FY20 on account of land acquisition issues by the Government pertaining to a project restricting revenues and the consequent cashflows as also because of low booking during the month of March 20 because of the flash lockdowns owing to COVID.19. However, the company has achieved a turnover of Rs. 355.33 Crs in 9MFY21 and is projected to garner revenues of Rs.500 core absorbing the impact of Covid on operations to an extent. Overall Gearing of the company also stood moderate at 1.39 times in FY20 as against 1.14 times in FY19, this was despite a large debt funded capex intended for purchase of new equipment's & machineries. The company, however, -does not have any plans for debt funded capex in the near term.

Substantial debt repayment obligation in the near term

The company faces substantial debt repayment obligations in near term. While the repayments for the years FY2022 stand at Rs.35.97 crore, the same remains at Rs 20.24 crore in FY2023. Adequate accrual generation against the scheduled repayments remains a monitorable.

Risks related to execution of the projects in hand

Although the company has a healthy order book, a large number of projects are yet to commence execution. Further, one of its large projects amounting to 15% of its orderbook had



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faced delays in execution which as per management, the related issues have been sorted out. Thus, movement of the order book and its translation to cash flows within an optimal period will be a key monitorable, going forward.

High revenue concentration risks

The company faces high geographical concentration risk as maximum of its outstanding order book position are from Telangana. Any delays on account heavy rains, floods or similar events may impact project execution and consequent revenue generation. Also, most of the projects under execution belong to the irrigation sector implying sectoral risks.

Presence in a highly competitive industry and tender nature of the business

The domestic infrastructure/construction sector is characterised with presence of many players with varied statures & capabilities. Moreover, the company secures its contracts through tender based mechanism resulting in low bid win ratios.

Working capital intensive operations

The gross current asset of the company stood at 255 days in FY20 as against 142 days in FY19 thus indicating working capital-intensive operations. On average, the company takes around 142 days to pay its creditors. But on overall basis, the company's GCA are improving y-o-y basis.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity of the company stood stretched marked by its high average CC utilisation of the company which stood high at ~92% for the past 12 months ending December 2020. The cash



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accruals remained at Rs.50.62 crore as on March 31,2020 while free cash balance stood at Rs 32.22 crore on the same date which provided some cushion.

About the Company

Incorporated in 1993 as a proprietorship firm and later constituted as a private limited company in 2014, SRRCIPL is a construction company registered as a special class contractor with the Andhra Pradesh and Telangana governments. Until 2015, SRRCIPL was operating only on sub-contract basis. At present, the company is executing projects under its own name or through joint ventures. Mr. Muthaiah Ravuri, his son Mr. Ramu Ravuri and Mr. Niranjan Ravuri are the directors of the company. The key clients of the company include IRCON, RITES, Telangana Drinking Water Supply Department and irrigation departments of Telangana and Andhra Pradesh.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	739.63	513.75
EBITDA	92.44	74.78
PAT	37.05	28.66
Total Debt	109.25	172.88
Tangible Net worth	95.68	124.43
EBITDA Margin (%)	12.50	14.56
PAT Margin (%)	5.00	5.54
Overall Gearing Ratio (x)	1.14	1.39

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NIL.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of /Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	6.43	IVR BBB- /Credit watch with	-	-	-



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Sr. No.	Name of /Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
				developing implications			
2.	Overdraft	Short Term	25.00	IVR A3/ Credit watch with developing implications	-	-	-
3.	Bank Guarantee	Short Term	118.57 (including proposed limit of Rs. 53.57 cr)	IVR A3/ Credit watch with developing implications	-	-	-

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
Long Term Fund Based Limits- Term Loan	-	-	June 2022	6.43	IVR BBB-/ Credit watch with developing implications
Short Term Fund Based Limits- Overdraft	-	-	-	25.00	IVR A3/ Credit watch with developing implications
Short Term Non Fund Based Limits- Bank Guarantee	-	-	-	118.57	IVR A3/ Credit watch with developing implications

Annexure 2: Facility wise lender details

[https://www.infomerics.com/admin/prfiles/Lender-Sri-Raja-Rajeswari-Constructions-\(India\)-06-may-21-.pdf](https://www.infomerics.com/admin/prfiles/Lender-Sri-Raja-Rajeswari-Constructions-(India)-06-may-21-.pdf)