



Press Release

RPP Infra Projects Limited

January 18, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Previous Ratings	Current Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facility	63.00	IVR BB/Negative; ISSUER NOT COOPERATING* (IVR Double B with Negative Outlook; ISSUER NOT COOPERATING)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Upgraded and moved out of Issuer Not Cooperating Category	Simple
2.	Short Term Bank Facilities	288.52	IVR A4; ISSUER NOT COOPERATING* (IVR A Four; ISSUER NOT COOPERATING*)	IVR A3 (IVR A Three)	Upgraded and moved out of Issuer Not Cooperating Category	Simple
	Total	351.52	Rupees Three Fifty One Crore and Fifty Two Lakhs Only			

* Issuer not cooperating; Based on best available information.

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded and moved out of Issuer Not Cooperating Category, the rating for long-term rating at IVR BBB- with stable outlook and short term rating at IVR A3 for the bank loan facilities of RPP Infra Projects Limited (RPPIPL).



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The rating continues to draw comfort from its experienced promoters and management, improved scale of operations, healthy albeit concentrated order book reflecting medium-term revenue visibility, satisfactory capital structure and debt protection metrics. However, these rating strengths are partially offset by tender driven nature of business in highly fragmented & competitive construction sector, inherent risk as an EPC contractor and susceptibility of operating margin to volatile input prices.

IVR has principally relied on the audited financial results of RPPIPL's up to 31 March 2023, projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Upward Factors

- Sustained growth in scale of operations with further improvement in profitability, and cash on a sustained basis.
- Manage working capital requirements efficiently with improvement in liquidity position.

Downward Factors

- Decline in scale of operations or profitability impacting the liquidity profile.
- Decline in the capital structure and debt coverage indicators.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management:

The promoters of the company are qualified and have extensive experience of over three decades in the civil construction industry. Such a long stint in the industry provides them with a competitive edge in establishing strong relationships with suppliers and customers. The company was formed in 1995 and has sailed smoothly through business cycles. Moreover, RPPIPL is managed by qualified professionals having the requisite technical knowledge and skills thereby providing synergistic advantage to the company in terms of successful project execution and commissioning.



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Improved scale of operations:

The total operating income of the company improved from Rs.779.82 crore in FY2022 to Rs.1005.25 crore in FY2023 due to the company has been awarded various new projects during the year, including under joint venture. With the improved TOI, EBIDTA and PAT margin has improved from 3.23% and 1.05% in FY2022 to 4.43% and 2.53% respectively in FY2023.

Healthy albeit concentrated order book reflecting medium-term revenue visibility:

The company has a healthy unexecuted order book of Rs. 3059.93 Crore as on March 31, 2023, which is approx. 3 times of its TOI for FY23. As per FY23 results, RPPIPL has earned revenue of Rs. 1005.25 Crore. However, the same is concentrated towards geographic concentration as majority of projects executed in the past and the current order book are concentrated in a few states viz Tamil Nadu, Karnataka and Maharashtra, which constitute above 70% of the order book. Going forward, materialization of the already bided contracts and win of new contracts will be crucial for the company.

Satisfactory capital structure and debt protection metrics:

The overall gearing ratio of the company is 0.46 times as on 31-Mar-2023 (as on 31-Mar-2022: 0.69). The total indebtedness of the company as reflected by TOL/TNW improved marginally from 1.34x as on 31-Mar-22 to 1.13x as on 31-Mar-23. The debt protection metrics stood moderate marked by Interest Coverage Ratio of 3.16 times in FY23 (FY22: 1.75) and Debt Service Coverage Ratio of 1.43x in FY23 (FY22: 1.19x). Total Debt to GCA stood moderate at 4.42 years in FY23 as against 12.73 years in FY22.

Key Rating Weaknesses

Tender driven nature of business in highly fragmented & competitive construction sector:

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure sector is highly fragmented marked by the presence of many players with varied statures & capabilities. A boom in the infrastructure sector, a few years back, resulted in increase in the



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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 for the users with respect to quality of output. RPIPL faces direct competition from various organized and unorganized players in the market.

Inherent risk as an EPC contractor and susceptibility of operating margin to volatile input prices:

Economic vulnerability and regulatory risks in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the company in the sector. Major raw materials used in civil construction activities are steel & cement and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including subcontracting) cost. However, presence of price variation clause on eligible project mitigates the risk to some extent.

Analytical Approach: For arriving at the ratings, IVR has analysed RPIPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

RPIPL's liquidity position is adequate marked by expectation of sufficient cushion in cash accruals vis-à-vis its debt repayment obligations in the next 3 years. The average working capital utilization for the last 12 months ended October 2023 stood for its fund-based limits and non-fund based limits is 55.20% The Current Ratio of the company stood at 1.64x as on 31-Mar-2023 as against 1.61x as on 31-Mar-2022 and its operating cycle is of 35 days in FY23



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(31 days in FY22). The unencumbered cash and bank balance as on 31st March 2023 was Rs. 37.38 Crore.

About the Company

RPP Infra Projects Limited (RPP IPL) is a construction company established in 1988 as R.P.P Builders and later reconstituted as a limited company in the year 1995. Its registered office is located at Erode, Tamil- Nadu. RPP IPL operates in the Power, Irrigation and Water supply, Industrial structure, Roads and Buildings segments. The company's focus on small government projects as short-medium tenure projects provides adequate revenue visibility. RPP IPL is listed on BSE and NSE stock exchanges.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	783.14	1011.02
EBITDA	25.27	44.83
PAT	8.36	25.99
Total Debt	216.34	159.29
Tangible Net worth	315.22	343.71
EBITDA Margin (%)	3.23	4.43
PAT Margin (%)	1.05	2.53
Overall Gearing Ratio (x)	0.69	0.46

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Brickwork vide press release dated January 30, 2023, respectively, has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (February 2, 2023)	Date(s) & Rating(s) assigned in 2021-22 (December 21, 2021)	Date(s) & Rating(s) assigned in 2020-21 (October 14, 2020)	
1.	Fund Based	Long Term	63.00	IVR BBB- /Stable	IVR BB/ Negative; ISSUER NOT COOPERATING	IVR BB+; ISSUER NOT COOPERATING	IVR BBB- / Stable	
2.	Non Fund Based	Short Term	288.52	IVR A3	IVR A4; ISSUER NOT COOPERATING	IVR A4+; ISSUER NOT COOPERATING	IVR A3	

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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



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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.

For more information visit www.infomerics.com.

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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
Cash Credit	-	-	-	63.00	IVR BBB-/Stable
Bank Guarantee	-	-	-	288.52	IVR A3

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-RPP-Infra-jan24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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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 [Complexity Level of Rated Instruments/Facilities](#).