Press Release

Rithwik Projects Pvt Ltd (RPPL)

September 15, 2023

Ratings

Instrument / Facility	**Amount (Rs. Crore)**	**Ratings**	**Rating Action**	**Complexity Indicator**
Long Term Bank Facilities (including proposed term loan of Rs.80.00 crore)	537.81 (enhanced from 325.87)	IVR A-; Stable (IVR Single A Minus with Stable Outlook)	Revised from IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	Simple
Short Term Bank Facilities	2098.57 (enhanced from 1774.13)	IVR A1 (IVR A One)	Revised from IVR A2 (IVR A Two)	Simple
Total	**2636.38 (Rupees two thousand six hundred thirty-six crore and thirty eight lakh only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Rithwik Projects Private Limited (RPPL) considers healthy improvement in RPPL's business performance in FY23 marked by improvement in its scale of operations, profitability and gross cash accruals leading to improvement in debt protection metrics coupled with its strong order book position reflecting satisfactory near to medium-term revenue visibility. Further, the ratings also consider its experienced promoters, satisfactory operational efficiency backed by owned fleet of equipment's and reputed clientele with proven project execution capability of the company. However, these rating strengths continues to remain constrained due to susceptibility of its operating margin to volatile input prices, exposure to customer concentration risk, tender based nature of its business with intense competition in the industry and working capital intensive nature of its operation.

Key Rating Sensitivities:

Upward Factors:

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
- Sustenance of the capital structure with improvement in debt protection metrics.
- Steady flow of orders & timely execution of the same on a sustained basis.

Downward Factors:

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis.
- Moderation in the capital structure with moderation in the overall gearing to over 1x
- Elongation in working capital cycle with increase in working capital intensity

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.
- **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 Hydro Development Projects apart from Pumped Storage Power Projects [PSP] Dam, Tunnel making, Roads, Water Works and Mining etc. 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.
- **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, semi-automatic and fully automatic jumbo drillers, etc.

- **Strong order book reflecting satisfactory medium-term revenue visibility**
  The order book position of RPPL has improved significantly and stood at Rs.21212.53 crore as on June 30, 2023, with orders across forty-two contracts which is about 12.33 times of its FY23 construction revenue (i.e.Rs.1720.67 crore). Out of the total orders of Rs.21212.53 crore, the orders worth Rs.11329.91 crore is for development of operation of coal mine from NMDC Ltd and NTPC Ltd respectively, which are 25-year contracts. The orders are expected to be completed within next four to four and half years, indicating a satisfactory near to medium term revenue visibility.
- **Improvement in business performance in FY23 and in Q1FY24**
  RPPL's total operating income has improved by ~54% to Rs.1720.67 crore in FY23 against Rs.1129.41 crore in FY22 driven by timely completion and higher execution of order during the year. Driven by improvement in operating income, absolute EBITDA has increased from Rs.143.39 crore in FY22 to Rs.224.97 crore in FY23. Moreover, EBITDA margin has also improved from 12.70% in FY22 to 13.07% in FY23. With improvement in EBITDA, PAT level and PAT margin has also improved in FY23. Consequently, gross cash accruals have also improved and stood at Rs.144.16 crore in FY23. Further, in Q1FY24 the company has achieved a revenue of Rs.445 crore.
- **Comfortable capital structure and satisfactory debt protection metrics**
  The capital structure has improved marked by improvement in overall gearing (including interest bearing mobilisation advances to 0.55x as on March 31, 2023 as against an overall gearing of 0.76x as on March 31, 2022. The improvement in overall gearing is due to lower utilisation of bank borrowing as on the balance sheet date and accretion of profit to reserves. Total indebtedness of the company as reflected by TOL/TNW has also improved and stood at 2.03x as on March 31, 2023 against 2.26x as on March 31, 2022. The debt protection metrics of the company has improved in FY23. Interest coverage ratio has also improved and remain comfortable at 3.22x in FY23 (2.58x in FY22) on account of increase in absolute EBITDA. Further, Total debt to EBITDA and Total debt to GCA both has improved to 1.50x and 2.35 years respectively as on March 31, 2023 underpinned by rise in absolute EBITDA and gross cash accruals.

B. Key Rating Weaknesses

- **Customer concentration risk**

RPPL is exposed to customer concentration risk as the major portion of the projects in the order books are from two customers. However, the company has adequate experience in order to execute projects in the state of Uttarakhand, Himachal Pradesh, Sikkim, Uttar Pradesh, Madhya Pradesh, Tamil Nadu, Bihar Maharashtra and Andhra Pradesh which provide a comfort.

- **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen 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 for the last three years. 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 sub-contracting) cost. However, presences of escalation clause (for raw materials) in most of the contracts protect the margin to an extent**.**

- **Tender based nature of business 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

- **Working capital intensive nature of operation**

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 has improved from 134 days in FY22 to 106 days in FY23 primarily due to decrease in average inventory period from 117 days in FY22 to 99 days in FY23. The average collection period has improved to 124 days from 171 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: Consolidated

Infomerics has considered the consolidated financials of RPPL along with its subsidiaries as the company execute projects through SPV mode by floating subsidiaries for better execution of projects. The business of RPPL and its subsidiaries has high operational and financial linkages and collectively have same management. Moreover, RPPL also extends corporate guarantee to its subsidiary, Rithwik MBR Infra Pvt Ltd. The list of entities consolidated is given below in **Annexure 2**. The approach was standalone at the time of last ratings and has been changed due to rising activities in subsidiaries and extension of corporate guarantee for the bank facilities of a subsidiary.

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Liquidity – Adequate

The liquidity position of RPPL is adequate with gross cash accruals of around Rs.144.16 crore during FY23 and it is expected to remain comfortable marked by its expected satisfactory cash accrual ~Rs.162.34 crore to Rs.215.58 crore vis-a-vis its debt repayment obligations ranging from Rs.67.87 crore to Rs.78.69 crore during FY24-FY26. Further, on the back of its comfortable capital structure, the company has adequate gearing headroom and has adequate cushion in bank guarantee limits to secure new orders and necessary mobilization advances for its projects. The average CC utilisation during last 12 months ending in June 2023 remained moderate at ~86% which imparts adequate liquidity buffer. Further, the liquidity position of the company is expected to improve further in the near term as the company is expecting to receive ~Rs.1100 crore from favourable arbitration order in the near term.

About the company

Rithwik Projects Private Limited (RPPL) 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 construction of Irrigation projects, Construction of DAMs, Barrages, Spillways, Canals, Construction of Hydro Power Projects, Townships, Railway, Tunnels and Road Works. The Company had completed many prestigious projects viz., OAK Reservoir, 4x110

MW Hydel Power Project on River Alakananda under THDC, Three major barrages across River Mahanadi in the state of Chhattisgarh, Barrage across Tumbe River in Karnataka and various Irrigation projects under HNSS and GNSS Projects in the state of Andhra Pradesh. The company also holds a 5MW AC (5.6 MW DC) solar generation unit located at Andhra Pradesh which has a power purchase agreement to sell power to NTPC Vidyut Vyapar Nigam Ltd for a period of 20 years (signed on January 10, 2011, acquired through tender, based on fixed tariff (Rs.11/unit) quoted.

Financials - Consolidated

(Rs. crore)

For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	1129.41	1720.67
EBITDA	143.39	224.97
PAT	43.44	98.96
Total Debt (including interest bearing mobilisation advances)	395.06	338.08
Tangible Net worth	518.36	611.91
EBITDA Margin (%)	12.70	13.07
PAT Margin (%)	3.83	5.65
Overall Gearing Ratio (x) (including interest bearing advances)	0.76	0.55

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

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 (June 28, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Sep 11, 2021	Date(s) & Rating(s) assigned in 2020-21 (Sep 09, 2020))
1.	Cash Credit	Long Term	240.00	IVR A-; Stable Outlook	IVR BBB+; Stable Outlook	IVR BBB-; Stable Outlook	IVR BBB-; Stable Outlook
2.	Term Loan	Long Term	217.81	IVR A-; Stable Outlook	IVR BBB+; Stable Outlook	IVR BBB-; Stable Outlook	IVR BBB-; Stable Outlook
3.	Bank Guarantee	Short Term	2098.57	IVR A1	IVR A2	IVR A3	IVR A3

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 (June 28, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Sep 11, 2021	Date(s) & Rating(s) assigned in 2020-21 (Sep 09, 2020))
4.	Proposed Term Loan	Long Term	80.00	IVR A-; Stable Outlook	IVR BBB+; Stable Outlook	-	-

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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 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
Long Term Bank Facility – Cash Credit	-	-	-	240.00	IVR A-; Stable Outlook
Long Term Bank Facility – Term Loan	-	-	March 2029	217.81	IVR A-; Stable Outlook
Short Term Bank Facility – Bank Guarantee	-	-	-	2098.57	IVR A1
Long Term Bank Facility – Proposed Term Loan	-	-	-	80.00	IVR A-; Stable Outlook

Annexure 2: List of companies considered for consolidated analysis:

Sl. No.	Name of Group company	Nature of relationship	Holding by RPPL
1	Chattibariatu Coal Mining Pvt Ltd	Subsidiary	74.00%
2	Tokisud Mining Pvt Ltd	Subsidiary	51.00%
3	Rithwik Tokisud Projects Pvt Ltd	Subsidiary	100.00%
4	Rithwik Chatti Bariatu Projects Pvt Ltd	Subsidiary	100.00%
5	Rithwik MBR Infra Pvt Ltd	Subsidiary	74.00%

Annexure 3: Facility wise lender details :
https://www.infomerics.com/admin/prfiles/len-RPPL-sep23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.