



## Press Release

### Rithwik Projects Pvt Ltd (RPPL)

March 28, 2024

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	537.81	IVR A-; Stable (IVR Single A Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	2098.57	IVR A1 (IVR A One)	Reaffirmed	Simple
<b>Total</b>	<b>2636.38</b> <b>(Rupees two thousand six hundred thirty-six crore and thirty eight lakh only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of Rithwik Projects Private Limited (RPPL) continues to consider healthy improvement in RPPL's business performance in 11MFY23 marked by improvement in its scale of operations coupled with its strong order book position reflecting satisfactory near to medium-term revenue visibility. Further, the ratings continue to consider its satisfactory operational efficiency backed by owned fleet of equipment's under experienced promoters, reputed clientele with proven project execution capability and comfortable financial risk profile marked by comfortable capital structure and satisfactory debt protection metrics. 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.



## Press Release

- 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 near to medium-term revenue visibility**



## Press Release

The order book position of RPPL remains strong and stood at Rs.11717.43 crore as on December 31, 2023, with orders across forty-eight contracts which is about 6.81 times of its FY23 construction revenue (i.e.Rs.1720.67 crore).

- **Improvement in scale of operation in 11MFY24**

The company has achieved turnover of Rs.2313.15 crore till February 2024 as compared to Rs.1503.96 crore during the same period last year with EBITDA margin of 13.90% and PAT margin of 5.51% respectively.

- **Satisfactory debt protection metrics in 11MFY24**

The debt protection metrics of the company has improved in 11MFY24 with interest coverage ratio of 4.28x as compared to 3.53x in 11MFY23 account of increase in absolute EBITDA.

### **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



## Press Release

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](#)

[Criteria on Default Recognition](#)

[Criteria on complexity](#)

**Liquidity – Adequate**



## Press Release

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 8 months ending in February 2024 remained high at ~95% which indicates limited 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.1010 crore from favourable arbitration order in the near term on submission of bank guarantee as required.

### 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

For the year ended* / As on	(Rs. crore)		
	31-03-2022	31-03-2023	11MFY24
	Audited	Audited	UA
Total Operating Income	1129.41	1720.67	2313.15
EBITDA	143.39	224.97	321.53
PAT	43.44	98.96	127.55
Total Debt (including interest bearing mobilisation advances)	395.06	338.08	-
Tangible Net worth	518.36	611.91	-
EBITDA Margin (%)	12.70	13.07	13.90%





## Press Release

For the year ended* / As on	31-03-2022	31-03-2023	11MFY24
PAT Margin (%)	3.83	5.65	5.51%
Overall Gearing Ratio (x) (including interest bearing advances)	0.76	0.55	-
Interest coverage ratio	2.58	3.22	4.28

\*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 A-; Stable Outlook (September 15, 2023)	IVR BBB+; Stable Outlook	IVR BBB-; Stable Outlook	IVR BBB-; Stable Outlook
2.	Term Loan	Long Term	297.81	IVR A-; Stable Outlook	IVR A-; Stable Outlook (September 15, 2023)	IVR BBB+; Stable Outlook	IVR BBB-; Stable Outlook	IVR BBB-; Stable Outlook
3.	Bank Guarantee	Short Term	2098.57	IVR A1	IVR A1 (September 15, 2023)	IVR A2	IVR A3	IVR A3
4.	Proposed Term Loan*	Long Term	-	IVR A-; Stable Outlook	IVR A-; Stable Outlook	IVR BBB+; Stable Outlook	-	-



## Press Release

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					(September 15, 2023)		

*\*Proposed term loan of Rs.80 crore is now sanctioned and captured under Term Loan*

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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](http://www.infomerics.com)

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## Press Release

recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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	297.81	IVR A-; Stable Outlook
Short Term Bank Facility – Bank Guarantee	-	-	-	2098.57	IVR A1

### 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-Rithwik-Projects-mar24.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](http://www.infomerics.com).