



## Press Release

### Rachana Infrastructure Limited

July 02, 2025

#### Ratings

Facilities	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	5.50 (Enhanced from Rs. 0.50 crore)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed	Simple
Short Term Bank Facilities	46.99 (Enhanced from Rs. 27.00 crore)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Rating Reaffirmed	Simple
Total	52.49 (INR Fifty-two crore and forty- nine lakh only)				

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of Rachana Infrastructure Limited (RIL) is backed by stable business performance of the company in FY25 [FY refers to the period from April 01 to March 31] coupled with its satisfactory capital structure and comfortable debt protection metrics. Further, the ratings continue to derive comfort from its experienced promoters and proven project execution capability with reputed client base. However, these rating strengths are constrained by RIL's modest scale of operation, moderate orderbook position with exposure to geographical concentration risk, susceptibility of profit margins to input price fluctuation along with exposure to intense competition.

The stable outlook reflects expected stable business performance of the company in the near term supported better execution of outstanding work orders.

#### Key Rating Sensitivities:

##### Upward factors

- Growth in operating income with improvement in operating margin and gross cash accruals on a sustained basis



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- Sustenance of the capital structure with overall gearing to remain below 1x and/or improvement in debt protection metrics with interest coverage to improve above 4x
- Improvement in operating cycle leading to improvement in liquidity

### **Downward Factors**

- Moderation in operating income and/or profitability and cash accrual impacting the debt protection metrics with moderation in interest coverage ratio to below 2.5x
- Moderation in capital structure and/or deterioration in TOL/ATNW to over 1.5x
- Stretch in the working capital cycle driven by stretched receivables impacting the financial risk profile, particularly liquidity.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths:**

##### **Experienced promoters**

Mr. Girish Kumar Raval, the one of the promoters and the managing director of the company who has more than 40 years of experience in the infrastructure segment, is looking after overall business of the company. He along with the other experienced directors and key managerial personnel, are critical for the future growth of the company.

##### **Proven project execution capability will esteem client base**

RIL has been in the infrastructure segment for more than two decades and over the past years, the entity has successfully completed many projects and ensured timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities. Further, the company has an esteemed customer base of various government department such as Public Works Department of Madhya Pradesh, Road and Building Department of Gujarat State, Madhya Pradesh Road Development Corporation, Road Construction Department of Jharkhand along with few private clients like Shreeji Infraspaces Pvt, LCC Projects Limited etc. which mitigate the counterparty risk as well. However, the top five customers of the company contributed ~100% of RIL's total revenue in FY25, indicating client concentration of risk.

##### **Stable business performance**

On the back of steady execution of outstanding orderbook, the total operating income (TOI) of RIL in FY25 stood almost at par with the previous fiscal year as the topline has marginally improved by ~3% and stood at Rs.95.26 crore in FY25 as compared to Rs.92.75 crore in FY24. Despite marginal improvement in scale in operation, the operating margin of RIL has moderated to 8.73% in FY25 as against 9.03% in FY24 owing to an increase in raw material



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cost and ancillary overhead expenses. However, backed by slightly reduced finance cost and depreciation coupled with higher non-operating income, PAT margin has improved and stood satisfactory at 4.24% in FY25 against 3.86% in FY24. Aided by the increase in PAT, net cash accruals of the company have also improved and stood at Rs.6.18 crore in FY25, which was sufficient to meet the repayment obligation.

### **Satisfactory capital structure with comfortable debt protection metrics**

The capital structure of the entity has remained satisfactory as on the past three account closing dates. As on March 31, 2025, RIL has a comfortable tangible net worth (ATNW) of Rs.81.12 crore. The company has low reliance on external borrowings and the debt structure of RIL mostly comprised loans of financial institutions, mobilization advance and unsecured loans from related parties. The adjusted overall gearing and TOL/ATNW has improved and stood comfortable at 0.11x and 0.29x respectively as on March 31, 2025, as compared to 0.17x and 0.39x as on March 31, 2024. Backed by reduced finance costs, interest coverage has improved and stood satisfactory at 3.71x in FY25 against 3.23x in FY24. Total debt to EBITDA and Total debt to NCA also improved and continues to remain comfortable at 1.06x and 1.43 years respectively as on March 31, 2025, as against 1.63x and 2.31years respectively as on March 31, 2024.

### **Key Rating Weaknesses:**

#### **Modest scale of operation**

The scale of operation of the company though improved over the past three fiscals remained modest at ~Rs.95 crore in FY25. Modest scale of operation of the company in the construction sector restricts the financial flexibility of the company to an extent.

#### **Moderate orderbook position with geographical concentration risk**

The outstanding order book of RIL as on 1st April 2025 stood at ~Rs.366.79 crore which is ~3.90 times of its FY25 revenue. Of the unexecuted orderbook, order worth ~Rs.258.10 crore is solely from Palamu Pipeline irrigation scheme in Jharkhand reflects orderbook concentration. The unexecuted orderbook also includes an order from NHAI (Construction of Four Lane Divided Carriage way from Patan to Gojariya of NH-68) amounting to Rs. ~74.00 which is not yet started due to pending approvals from concerned authorities. The outstanding orderbook is mainly concentrated in three states, i.e. Jharkhand, Madhya Pradesh and Gujrat shows geographical concentration as well. The projects are expected to be executed in coming 1-2 years provides moderate near-term revenue visibility for the company.



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### **Intense competition in a fragmented industry with a tender-based contract-awarding system restricts margins**

The civil construction industry is intensely competitive on account of its fragmented nature along with the presence of several players. This coupled with the lowest-bidding-business-procurement structure keeps the margins of all players, including RIL under check. Moreover, the company is also exposed to risks inherent in the construction sector, such as a slowdown in new order inflows and the risks of delays in execution. Operations are also vulnerable to price variations in key raw materials. However, the risk is largely mitigated in the case of contracts that include an escalation clause.

### **Susceptibility of profit margins to input price fluctuations**

The firm's profit margins are exposed to raw material (mainly steel, cement, sand and other metals) price fluctuations. Nonetheless, the presence of a price escalation clause in few of its contracts mitigates the risk to an extent. The firm passes on the increase in the raw material prices to its customers to an extent but with a lag.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

[Criteria of assigning Rating Outlook](#)

[Policy on Default Recognition](#)

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

[Criteria on Complexity](#)

### **Liquidity: Adequate**

RIL has generated gross cash accrual of Rs.6.18 crore in FY25 against its debt repayment obligation of Rs.3.01 crore. RIL is expecting an improvement in its revenue and driven by proper and timely execution of the orders, the company is expected to generate a steady cash, and the liquidity position of the company would remain adequate in the near term. Further, the comfortable capital structure coupled with satisfactory current ratio of 4.41x as on March 31,2025 imparts sufficient liquidity buffer.

### **About the Company**

Gujrat based Rachana Infrastructure Limited (RIL erstwhile Rachana Construction Company) was incorporated in June 2001 as a public limited company by Mr. Girish Bhai



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Raval, the promoter and Managing Director of the company. RIL is a mid-size registered class AA contractor engaged in the business of civil and infrastructure segment. Road and highway construction projects play a major role in the core business of the company. The company has been listed in the NSE SME category on 10th June 2022.

### Financials of Rachana Infrastructure Limited (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2024	31-03-2025
	Audited	Audited
Total Operating Income	92.75	95.26
EBITDA	8.37	8.32
PAT	3.63	4.10
Total Debt	13.64	8.86
Tangible Net worth	81.24	85.27
Tangible Net worth (Adjusted)	81.24	81.12
EBITDA Margin (%)	9.03	8.73
PAT Margin (%)	3.86	4.24
Overall Gearing Ratio (x) (Adjusted)	0.17	0.11
Interest Coverage	3.23	3.71

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: Nil**

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2025-26)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					July 05, 2024	May 22, 2024	-	Mar 23, 2023
1.	Cash Credit	LT	5.50	IVR BBB-/Stable	IVR BBB-/Stable	IVR BB/Negative, INC*	-	IVR BB+/Stable
2.	Overdraft	ST	4.99	IVR A3	-	-	-	-
3.	Bank Guarantee	ST	42.00	IVR A3	IVR A3	IVR A4/INC*	-	IVR A4+

**\* Issuer Not Cooperating based on best available information**





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### Analytical Contacts:

Name: Avik Podder

Tel: (033) 46022266

Email: [apodder@infomerics.com](mailto:apodder@infomerics.com)

### About Infomerics:

Infomerics Valuation and Rating Limited (Infomerics) [formerly Infomerics Valuation and Rating Private Limited] 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 indepth 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 and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limit-Cash Credit	-	-	-	5.50	IVR BBB-/ Stable
Short Term Fund Based Limit-Overdraft	-	-	-	4.99	IVR A3
Short Term Non-Fund Based Limit- Bank Guarantee	-	-	-	42.00	IVR A3

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-rachana-jul25.pdf>

### Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Not Applicable

### Annexure 4: List of companies considered for consolidated/combined analysis: 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)