



Press Release

Rithwik Projects Private Limited
September 11, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Bank Facilities-Long Term	320.00 (reduced from Rs. 350.00 crore)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed
2	Bank Facilities-Short Term	1780.16 (increased from 1750.16)	IVR A3 (IVR A Three)	Reaffirmed
	Total	2100.16		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmed to the bank facilities of Rithwik Projects Private Limited derives comfort from its experienced management, adequate capital structure and average debt protection metrics, reputed clientele with proven project execution capability, majority of fleet of equipment is owned by RPPL; leading to operational efficiency and strong order book reflecting satisfactory medium-term revenue visibility. The rating also considers net losses in FY21 other than support from arbitration award, susceptibility of operating margin to volatility in input prices albeit comfort due to presence of escalation clause, tender-based nature of operations with intense competition in the industry, customer concentration risk and moderate working capital intensity.

Key Rating Sensitivities:

Upward Rating Factors

- Sustenance of growth in scale of operations with improvement in profitability



Press Release

- Steady flow of orders & timely execution of the same on a sustained basis
- Containment of operating costs in the wake of increasing competition
- Sustenance of capital structure

Downward Rating Factors

- Elongation in working capital cycle
- Any deterioration in liquidity profile on a sustained basis
- Moderation in the capital structure with deterioration in overall gearing

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.

- **Adequate capital structure and average debt protection metrics**

The overall gearing ratio remained satisfactory at 0.39x as on March 31, 2021 with a net worth base of Rs. 472.78 crore which provides financial flexibility. Further, the debt protection metrics of the company remained adequate with interest coverage ratio at 2.49x and long debt to GCA at 2.28 years in as on March 31, 2021. Total indebtedness as reflected by the TOL/TNW remained comfortable at 2.07x as on March 31, 2021. Further, the average cash credit limit utilization of the company remained low at ~49% during the past 12 months ended June, 2021.

- **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 irrigation projects (mainly in dam, tunnel making). 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



Press Release

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 etc.

- **Strong order book reflecting satisfactory medium-term revenue visibility**

RPPL had a healthy order book of ~Rs. 6862 Crore as on June 30, 2021 (6.10x the revenue for FY21) which provides healthy revenue visibility over the medium term. Based on the strong order book and prior track record of the company to execute projects in a timely manner, Infomerics expects that the company will maintain a steady growth in FY22.

Key Weaknesses

- **Susceptibility of operating margin to volatility in input prices albeit comfort due to presence of escalation clause**

Major raw materials used by the company steel, cement (for masonry dams) and high fuel and labour charges (for earthen dams) which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability of the company remains susceptible to fluctuations. However, a presence of escalation clause in most of the contracts imparts comfort to an extent.

- **Tender-based nature of operations 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.

- **Customer Concentration risk**

The Company is exposed to customer concentration risk as the major portion of the projects in the order books (61%) are from two customers. Moreover, the present order book is



Press Release

skewed towards road and tunnel construction related projects indicating a sectorial concentration risk. However, the company has adequate experience in order to execute projects in the state of Uttarakhand, Maharashtra and Andhra Pradesh which provide a comfort.

- **Moderate Working Capital intensity**

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 stood high at 166 days in FY21 driven by elongated inventory cycle of 156 days and average collection period 144 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: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The company's liquidity remains adequate marked by cash accruals expected at around Rs 75 - 100 crore per annum over the medium term, will remain sufficient to meet annual repayment obligations of about Rs 15 - 70 crore during the corresponding period. Further, the company has adequate cushion in bank guarantee limits in order to secure new orders and necessary mobilization advances for its projects. Further, the promoter has the financial flexibility to bring need-based funds for meeting any ad-hoc requirements. Nevertheless, the bank limit utilization on overall cash credit limit of Rs 102 crore, remain low at an average of around 49% over the 12 months ended June 2021. The liquidity ratios of the company



Press Release

remained healthy with the current ratio at 2.05x and the quick ratio at 1.61x as on March 31, 2021.

About the Company

Rithwik Projects Private Limited 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 Irrigation, Construction of DAMs, Barrages, Spillways, Canals, Construction of Hydro Power Projects, Townships, Railway, Tunnels and Road Works.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	1068.83	1123.96
EBITDA	112.89	148.53
PAT	29.13	59.07
Total Debt	425.62	185.84
Tangible Net worth	427.99	472.78
EBITDA Margin (%)	10.56	13.21
PAT Margin (%)	3.50	3.94
Overall Gearing Ratio (x)^	0.99	0.39

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)	Rating History for the past 3 years
---------	-------------------------------	-------------------------------	-------------------------------------



Press Release

		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	180.00	IVR BBB-/Stable	IVR BBB-/Stable (September 09, 2020)	-	-
2.	Term Loan	Long Term	140.00 (reduced from Rs. 170 crore)	IVR BBB-/Stable	IVR BBB-/Stable (September 09, 2020)	-	-
3.	Bank Guarantee	Short Term	1780.16 (Increased from Rs. 1750.16 crore)	IVR A3	IVR A3 (September 09, 2020)		

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Karan Girdhar

Tel: (011) 2465 5636

Email: kgirdhar@infomerics.com

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any



Press Release

point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not 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 Facilities- Cash Credit	-	-	-	180.00	IVR BBB-/Stable
Long Term Bank Facilities- Term Loan	-	-	December, 2022	140.00	IVR BBB-/Stable
Short Term Bank Facilities – Bank Guarantee/ LC Limits	-	-	-	1780.16	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Rithwik-projects-lenders-11sept21.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1	Long Term Bank Facilities – Cash credit	Simple
2	Long Term Bank Facilities –	Simple



Press Release

	Term Loan	
3	Short Term Bank Facilities – Bank Guarantee/LC	Simple

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.

