

RSA Infraproject Private Limited

October 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	38.00 (Enhanced from 14.00)	CARE BBB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	175.00 (Reduced from 176.00)	CARE BBB; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in rating of bank facilities of RSA Infraproject Private Limited (RSA) takes in account experienced promoters in construction industry, comfortable order book position indicating revenue visibility, improvement in financial performance in FY24 albeit slight moderation in margin (refers to the period April 01 to March 31), proven project execution capabilities, business segment diversification and lower counterparty risk. The above rating strength are however constrained by moderate capital structure and debt potential metrics, working capital intensive nature of operation, profitability susceptible to volatility in input prices and fragmented nature of industry leading to intense competition.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial increase in scale of operations beyond Rs.400 crores and profitability margins beyond 19% on a sustained basis, backed by new orders and timely execution.
- Substantial improvement in gross current asset days to below 120 days on a sustained basis, by way of timely release of retention money.

Negative factors

- Fall in PBILDT margin below 10% on a sustained basis.
- Delayed realization of retention money leading to blockage of BG and non-availability of funds for submitting new tenders.
- Delay in execution of ongoing orders resulting in lower TOI below Rs. 150 crores.

Analytical approach: Standalone

Outlook: Stable

The stable outlook is on account of ramp up in execution of orders with comfortable orderbook position providing medium term revenue visibility.

Detailed description of key rating drivers:

Key strengths

Experienced Promoters:

RSA (Erstwhile 'Radheyshyam Agrawal') was promoted in 1975 by Raipur-based Mr. Radheyshyam Agrawal. He has more than four decades of experience in the business of civil and road construction. Later in 1993 his sons Mr. Sanjay Agrawal (Civil Engineer) and Mr Bajrang Agrawal (Graduate) joined the company, both of whom currently have more than two decades of experience in the civil construction industry. The day-to-day operation of the firm is looked after by Mr. Sanjay Kumar Agrawal along with the support from Mr. Bajrang Lal Agrawal and a team of experienced professional and engineers.

Comfortable orderbook position indicating revenue visibility in medium term:

The company has o/s order worth Rs. 1,730.82 crores as on July 31, 2024 (as against orderbook of Rs. 1610.97 crores as on August 31, 2023) which is equivalent to 4.98x of total revenue of FY24. The company has received new orders worth Rs. 299.72 crores in last one year. This gives medium term revenue visibility. Since bagging the 2 overburden removal projects (Kaniha & Lakhanpur) pertaining to Mahandi Coalfields Ltd (MCL), the company has made significant additions to its fixed assets in FY22. Ramp up of production in Kaniha project has happened according to schedule (billing of Rs.94.18 crore done in FY24) however

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

there has been delays in handover of land by MCL in Lakhanpur project with alternate land being made available in FY24 (billing of around Rs.25 crore in FY24 with current monthly billing being around Rs.4 crore).

Improvement in financial performance in FY24 albeit moderation in margin

The company's total operating income (TOI) grew by approximately 40% in FY24, reaching Rs. 347.45 crores compared to Rs. 247.99 crores in FY23 attributable to ramp up in order execution. Higher proportion of revenue is being derived from labour intensive barrage works resulting in higher sub-contracting expense leading to moderation in PBILDT margin to 17.36% in FY24 as against 20.38% in FY23 (FY22: 15.43%). However, the company's PAT margin improved to 5.57% in FY24, compared to 4.81% in FY23 on account of lower depreciation expense.

In Q1FY25, the company reported a TOI of Rs. 107.59 crores.

Proven project execution capabilities

RSA has a satisfactory contract completion track record. The group has more than 50 engineers who are highly experienced. Furthermore, repetitive orders received from its existing clients corroborate group's proven project execution capability. The company is registered as a Class-A contractor with PWD and WRD and has executed various projects for PWD and WRD.

Business Segment Diversification

The company generally used to undertake road and barrage projects from WRD and PWD department of the state government of Chhattisgarh and Odisha where majority of the order book consisted of projects from the government of Odisha. However, in FY22, RSA has diversified its business and has bagged overburden work orders for the mines of Mahanadi Coalfields Limited (a subsidiary of Coal India Limited) for Kaniha and Lakhanpur mines located in Odisha, execution of which is under progress. The total work order left to be executed under the same as of July 31, 2024, stood Rs 552.40 crores against contract value of Rs 1011.74 crores. The same has led to business diversification from primarily being a road construction company to overburden removal projects and barrage works apart from orders from Southeast Central Railway (SECL).

Lower Counter party risk

The company generally participates in the government tenders from whom they have got repetitive orders. Further, being associated as a Class A contractor with Public works department (PWD) and Water resources department (WRD) of the state government of Chhattisgarh and Odisha the probability of converting the tender is high for the firm. Also, company has diversified to coal mines under Mahanadi Coalfields Limited. The payment from parties is received within 10-15 days from date of billing. Till date there isn't any retention money which has become overdue. For the coal projects retention money is approximately 5% and for Barrage works 2% is towards Performance Guarantee and around 4-6% towards retention money. In some cases, the company has given Advanced performance Guarantee too where the bid value is less than the tender floated and the same varies between 12 to 15% between projects.

Key weaknesses

Moderate capital structure and debt potential metrics:

Overall gearing improved slightly to 1.06x as on Mar 31, 2024, as against 1.10x as on Mar 31, 2023, owing to repayment of instalments towards equipment loan and accumulation of profit into reserves. Total Debt/GCA and interest coverage ratio stood at 2.99x and 4.35x as on March 31, 2024, as against 3.03x and 4.02x as on March 31, 2023.

Working Capital Intensive nature of operation:

The operations of the company are working capital intensive in nature due to the tender-based and long-term nature of contracts. The company needs to furnish earnest money deposits (EMD) during the bidding process which leads to funds getting blocked even before the project is awarded. Further, a part of the sales proceeds is also withheld in the form of retention money which necessitates requirement of working capital. However, the collection from the two new projects from MCL (Mahanandi Coal Limited) has better payment terms with ~5% being deducted as retention and the rest being paid in 10-15 days post raising of bills.

The collection period of company stood at 49 days in FY24 as against 59 days in FY23, though on an absolute basis total debtor value (including retention money) stood at Rs 58.20 crores as on March 31, 2024, as against Rs 40.17 crores as on March 31, 2023. The creditor's period has declined from 54 days in FY23 to 35 days in FY24. Overall, the work capital cycle moderated to 58 days in FY24 as against 40 days in FY23.

Fragmented nature of industry leading to intense competition:

RSA is a mid-sized player operating in the intensely competitive construction industry wherein contracts are awarded based on relevant experience of the bidder, financial capability, and most attractive bid price. The highly competitive intensity is on account of the presence of large number of contractors resulting in aggressive bidding which exerts pressure on the margins. Furthermore, aggressive bidding, interest rate risk and delays in project due to environmental clearance are other external factors that affect

the credit profile of industry players. However, RSA has policy to bid for selected projects while factoring additional contingency at the time of bidding.

Liquidity: Adequate

The company has adequate liquidity position. The entity earned a GCA of Rs. 40.58 crores against a debt repayment obligation of Rs 26.20 crores in FY24. In FY25 and FY26, the company has debt repayment obligation of Rs. 34.78 crores and Rs. 9.72 crores respectively, which are expected to be met out of gross cash accrual of the company. Average utilization of fund based working capital limits for last 12 month ending July 2024 is around 91%.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Nonfinancial Sector](#)

[Construction](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

RSA Infraproject Private Limited (RSA) was incorporated in 1975 as a proprietorship concern, by Raipur based Mr. Radheyshyam Agrawal. Later in 1988, it was converted into a partnership firm. The firm has been converted in a Private Limited company in July 2021. The company is engaged in civil construction and undertakes contract of development of roads, bridges, tunnels, dams, canal irrigation and other structures. RSA generally bags contract through participation in government tenders and operates in the state of Chhattisgarh, Odisha, Jharkhand, and Bihar. Further, the company is registered as a Class A contractor with the Water Resources Department (WRD) and Public Works Department (PWD), Government of Chhattisgarh and Odisha. RSA has diversified its business and has bagged overburden removal work orders for the mines of Mahanadi Coalfields Limited (a subsidiary of Coal India Limited) for Kaniha and Lakhanpur mines located in Odisha.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)	Q1FY25(UA)
Total operating income	247.99	347.45	107.59
PBILDT	50.55	60.32	NA
PAT	11.94	19.35	NA
Overall gearing (times)	1.10	1.06	NA
Interest coverage (times)	4.02	4.35	NA

A: Audited Prov.: Provisional; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: As per PR dated August 22, 2023, Acuite (SMERA) continues to place the rating of RSA Infraprojects Private Limited under Issuer Not Cooperating due to inadequate information.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	38.00	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	175.00	CARE BBB; Stable / CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	38.00	CARE BBB; Stable	-	1)CARE BBB; Stable (20-Oct-23) 2)CARE BBB; Stable (06-Oct-23)	1)CARE BBB; Stable (07-Feb-23) 2)CARE BBB; Stable (07-Dec-22)	1)CARE BBB; Stable (07-Feb-22) 2)CARE BBB; Stable (14-Jun-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	175.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3 (20-Oct-23) 2)CARE BBB; Stable / CARE A3 (06-Oct-23)	1)CARE BBB; Stable / CARE A3+ (07-Feb-23) 2)CARE BBB; Stable / CARE A3+ (07-Dec-22)	1)CARE BBB; Stable / CARE A3+ (07-Feb-22) 2)CARE BBB; Stable / CARE A3+ (14-Jun-21)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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