RIC Projects Private Limited

December 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	30.00	CARE BB+; Stable / CARE A4+	Downgraded from CARE BBB-; Stable / CARE A3
Short Term Bank Facilities	15.00	CARE A4+	Downgraded from CARE A3

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The downgrade in the ratings assigned to the bank facilities of RIC Projects Private Limited (RPPL) takes into consideration declining trend of the scale of operations owing to slower execution of contracts which has continued in 7MFY25 (refers to the period from April 1, 2024 to October 31, 2024) coupled with limited revenue visibility with modest order book position, moderation in profitability margins, debt coverage indicators and elongated operating cycle in FY24 (refers to the period from April 1, 2023 to March 31, 2024). The ratings, further, continue to remain constrained by the risk associated with low and concentrated order book position, project execution risk inherent in various infrastructure projects followed by intense competition and business risk associated with tender based orders.

The ratings, however, continue to derive comfort from the experienced directors coupled with long track record of operations and comfortable capital structure of the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations as marked by total operating income of above Rs.100.00 crore by timely execution of projects in hand on a sustained basis and improvement in the order book position to more than 1.50x of previous year turnover.
- Improvement in profitability margins as marked by PBILDT margin above 7.00% on a sustained basis.

Negative factors

- Any significant deterioration in the capital structure of the company as marked by overall gearing ratio of above 1.00x.
- Decline in scale of operations by more than 30% from envisaged level and decline in profitability margins as marked by PBILDT below 4.00% on sustained basis.
- Deterioration in the liquidity profile of the company on account of delay in receipt of receivables from customers and increase in collection period of above 150 days.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects that entity will continue to benefit from the extensive experience of the directors in the industry with sustainable credit risk profile over the medium term.

Detailed description of the key rating drivers:

Key weaknesses

Modest and declining trend in the scale of operations: RPPL's scale of operations declined and continue to remain modest as marked by total operating income (TOI) and gross cash accruals (GCA) of Rs.86.16 crore and Rs.1.67 crore respectively, during FY24 (FY refers to the period April 1 to March 31) as against Rs.91.06 crore and Rs.4.34 crore respectively, during FY23. Nevertheless, the modest scale of operations in a competitive industry limits the bidding capability, pricing power and benefits of economies of scale. The decline in turnover of the company in FY24 was on account of slower execution of contracts due to delays in the regulatory approvals related to site mobilization and land acquisition, etc. and the certifications required for the contract's execution owing to general elections which has also impacted the 7MFY25 as well. Thus, the company has achieved total operating income of ~Rs.24.00 crore during 7MFY25 (refers to the period from April 1, 2024 to October 31, 2024; based on provisional results) and has projected to book revenue of ~Rs.75.00 crore in FY25. However, given

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

the current financial trends and the slow pace of contract execution, the feasibility of achieving the same scale remains key monitorable and needs to be seen.

Moderation in profitability margins and debt coverage indicators: The profitability margins of the company moderated and continue to remain low for the past three financial years i.e. (FY22-FY24) since it largely depends upon the nature of mix of fixed price contracts executed wherein ~70% of the total unexecuted order book pertains to fixed price contracts. Further, slower execution of contracts has resulted an increase in the overhead expenses in terms of raw material cost, job work charges, etc. and company's limited ability to fully pass on the incremental cost to the end consumer due to absence of price escalation clause in majority of the unexecuted contracts which has resulted a moderation in PBILDT margin of the company which stood at 5.27% in FY24 as against 7.41% in FY23. Further, PAT margin also moderated and stood at 1.18% in FY24 as against 3.97% in FY23 backed by moderation in PBILDT levels and on account of increase in finance charges due to higher reliance on working capital borrowings during the year.
Further, the debt coverage indicators of the company have also deteriorated as marked by interest coverage ratio and total debt to GCA which stood at 1.56x and 9.92x respectively, for FY24 as against 3.12x and 2.36x respectively, for FY23. The deterioration is on the back of substantial increase in the utilization of working capital borrowings with no mobilization advance to commence the new projects as on balance sheet date to pay off its creditors, consequently leading to higher total debt and finance cost.

Elongated operating cycle: The operating cycle of the company declined and stood elongated at 135 days for FY24 (P.Y: 91 days) with majority of funds blocked in collection period and WIP inventory owing to reduced government spending due to general elections. The inventory is in the form of raw materials and work in progress at different sites on account of procedural delays involved in the certifications/validation of the invoices for the contracts executed resulting in an average inventory holding period of 66 days for FY24. The company raises bills on milestone basis i.e. on the completion of certain percentage of work and thereon which gets acknowledge by client after necessary inspection of work done by the respective departments. Post the inspection, the department clears the payment within 2-3 months (maximum) by deducting certain percentage of bill raised (ranging from 5-10% of bill amount) in the form of retention money, which they refund after submission of bank guarantee or completion of the defect liability period of the tender. Thus, average collection period stood at 102 days for FY24. Further, the company receives an average credit period of around 1-2 months from its supplier, as they have an arrangement with their suppliers in which payment to the suppliers will be done once received from its customers. Further, despite improved collections in 7MFY25, the cash credit utilization remains elevated. Based on 7-month operating income and debtors' position, collection period works out to be 76 days which has reduced from 102 days, but cash credit utilization continues to be at same level.

Modest and concentrated order book position with slow pace of execution: RPPL's has an unexecuted order book position of ~Rs.96.39 crore as on September 30, 2024 which is equivalent to ~1.12x of its total operating income achieved in FY24. The tenor of the construction contracts to be executed varies up to maximum 2-3 years depending upon the type of contract bid and awarded. RIC's revenue comprises of construction and maintenance work. However, the present entire unexecuted order book is concentrated ~53.41% towards contracts from Nuclear Fuel Complex, Hyderabad and The Defence Research and Development Organisation (DRDO). Further, the progress of certain orders remains slow moving owing to various issues such as delay in civil work & structures clearances, land acquisition issues, land rehabilitation issue, environmental clearances, etc. Thus, timely completion of slow-moving orders with cost overrun and execution pace of new orders received in 2024 will be key rating sensitivities. Timely execution of existing as well as newly received orders remain key rating monitorable and has a direct bearing on the total income and margins of the company.

Project execution risk inherent in various infrastructure projects: Given the nature of projects awarded, RPPL is exposed to inherent risk in terms of delays in certain projects undertaken by the company due to delay in approvals and sanction from regulatory bodies such as land acquisition issues, etc., thus exposing RPPL towards the risk of delay in projects resulting in a delay in the realization of revenue growth. Furthermore, the company's ability to execute a project in timely manner would be led by its own operational efficiency and timely stage payments received from its clients which are also crucial from credit perspective. The effect of the same has been reflected on the financial performance of the company in FY24 wherein delay in the project's execution led to delay in the realization of revenue growth.

Highly competitive industry with business risk associated with tender-based orders: RPPL operates in a highly competitive construction industry wherein it faces direct competition from various organized and unorganized players in the market. There are number of small and regional players catering to the same market which has limited the bargaining power of the company and has exerted pressure on its margins. With the increase in order book of RPPL, availability and retention of skilled manpower has also become a major challenge. Further, the company majorly undertakes government projects, which are awarded through the tender-based system. This exposes the company towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on RPPL ability to successfully bid for the tenders and emerge as the lowest bidder. This apart, any changes in the government policy or government spending on projects are likely to affect the revenues and profits of the company.

Key strengths

Experienced directors coupled with long track record of operations: RPPL is a family run business. Mr. Sanjay Sinha and Ms. Jyotsna Sinha are the directors of the company and they collectively look after the overall operations of the company. Both the directors hold an experience of more than two and half decades in construction industry through their association with this entity. Furthermore, RPPL is also supported by a team of qualified engineers, supervisory staff and technical team to work on various sites having relevant experience in their respective fields. The company is having a considerable track record in this civil construction business which has given them an understanding of the dynamics of the market and enabled them to establish long term relationships with both the suppliers and customer.

Comfortable capital structure: Despite the increase in debt levels, the capital structure of the company continues to remain comfortable with overall gearing ratio at 0.31x as on March 31, 2024, reflecting moderation from 0.20x as on March 31, 2023 mainly on account of higher utilization of working capital borrowings as on balance sheet date. Further, the capital structure is expected to remain comfortable below unity as envisaged in the near term.

Liquidity: Adequate

The liquidity position of the company remained adequate characterized by sufficient cushion in accruals in absence of any long-term debt obligations. The company has reported net cash accruals (NCA) to the extent of Rs.1.67 crore during FY24 and is expected to generate envisage NCA of Rs.2.29 crore for FY25 against nil repayment obligations in same year. Further, the average utilization of its working capital limits stood ~80%-85% utilized for the past 12 month's period ending October, 2024. RPPL's liquidity profile is also supported by unencumbered cash and bank balances which stood at Rs.1.60 crore as on March 31, 2024. Further, the company does not have any significant capex plan in the near term.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

RIC Projects Private Limited (RPPL) was incorporated in April, 1996 and is currently managed by Mr. Sanjay Sinha, Ms. Jyotsna Sinha and Mr. Anshul Sinha. RIC undertakes turnkey assignments, services for infrastructure development and maintenance of wide range of solutions, services in the field of Construction, Water Management, Fire Fighting & Deluge System; Interiors, Electrical & Mechanical Works, Landscaping and Horticulture. The company undertakes projects by its dedicated team throughout PAN India and have undertaken projects in Delhi and other states which includes U.P. Uttarakhand, Madhya Pradesh, Andhra Pradesh, Chhattisgarh, Assam, Odisha, Maharashtra, Rajasthan, Bihar, Himachal Pradesh, etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	7MFY25 (Prov.)*
Total operating income	91.06	86.16	24.00
PBILDT	6.75	4.54	NA
PAT	3.61	1.02	0.51
Overall gearing (times)	0.20	0.31	NA
Interest coverage (times)	3.12	1.56	NA

A: Audited; Prov.: Provisional; NA: Not Available; Note: 'the above results are latest financial results available' *refers to the period from April 1, 2024 to October 31, 2024.

Status of non-cooperation with previous CRA: CRISIL has continued the ratings assigned to the bank facilities of RIC Projects Private Limited to the "Issuer Not-Cooperating" category vide its press release dated May 29, 2024 on account of its inability to carryout review in the absence of requisite information from the company.

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various 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 - ST-Bank Overdraft		-	-	-	15.00	CARE A4+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	30.00	CARE BB+; Stable / CARE A4+

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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	30.00	CARE BB+; Stable / CARE A4+	-	1)CARE BBB-; Stable / CARE A3 (06-Nov-23)	1)CARE BBB-; Stable / CARE A3 (02-Feb-23)	1)CARE BBB-; Stable / CARE A3 (24-Mar-22) 2)CARE BBB-; Stable / CARE A3 (01-Apr-21)
2	Fund-based - ST-Bank Overdraft	ST	15.00	CARE A4+	-	1)CARE A3 (06-Nov-23)	-	-

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

Annexure-3: Detailed explanation of the covenants of the rated instrument/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-Bank Overdraft	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 the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
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