

Gali Subba Raju Construction Company

March 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	25.00 (Enhanced from 15.00)	CARE BB; Stable	Upgraded from CARE BB-; Stable
Short Term Bank Facilities	35.00 (Enhanced from 25.00)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in long term ratings assigned to bank facilities of Gali Subba Raju Construction Company (GSRCC) takes into account increase in scale of operations and profitability in FY24 (Audited) [FY refers to the period April 01 to March 31] and 9MFY25 (Unaudited) and healthy order book position with strong clientele providing low counterparty risk.

However, ratings are constrained by segment and geographic concentration risk, leveraged capital structure & debt coverage indicators, working capital-intensive nature, fragmented nature of construction sector with tender-based nature of operations, constitution of the entity as partnership firm with inherent risk of withdrawal of capital and stretched liquidity position.

The ratings, however, continues to derive strength from experienced partners, satisfactory profitability margins, improvement in operating cycle and stable outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in scale of operations of the firm to above Rs.150 crore
- Gross current asset days below 100 days on a sustained basis

Negative factors

- Any deterioration in capital structure above 2.5x because of withdrawal of partners' capital or increased reliance on debt
- Any decrease in orders which results in deterioration in TOI below Rs.90 crore

Analytical approach: Standalone

Outlook: Stable.

The 'Stable' outlook on the ratings of GSRCC reflects CARE's expectation to sustain its stable financial risk profile, profitability margins and absence of any large debt in the medium term.

Detailed description of key rating drivers:

Key weaknesses

Segment and geographic concentration: GSRCC focuses solely on the road laying and maintenance segment within the construction industry. By limiting its operations to road construction projects, the firm may miss out on opportunities in other sectors, such as residential, commercial, or industrial construction. This restricted scope could hinder its overall growth potential and limit diversification within the construction market. Additionally, the firm's concentration on projects in the state of Telangana (90%) further restricts its market reach, making it vulnerable to regional economic fluctuations or limited project availability.

Working capital intensive nature of operations: The operations are working capital intensive since the firm is engaged in road works in the state of Telangana wherein receipt of payments for works completed takes up to 30-60 days. The average utilization of working capital limit for the last 12 months ended i.e., January 2025 remained high at ~89%.

Leveraged capital structure and debt coverage indicators: The debt profile of GSRCC consists of long-term loans, cash credit and loans from promoters. Capital structure of the firm marginally improved but remained leveraged at 2.47x as of March 31, 2024 against 2.89x as on March 31, 2023. Further, Net worth of the company remained low at Rs. 8.99 crores as on March 31, 2024. Additionally, other debt coverage indicators marked by interest coverage ratio stood at 4.42x as of March 31, 2024 as compared to 3.03x as of March 31, 2023 and remained at satisfactory levels.

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

Constitution of the entity as partnership firm with inherent risk of withdrawal of capital: Constitution as a partnership has the inherent risk of possibility of withdrawal of the capital at the time of personal contingency which can adversely affect its capital structure. Furthermore, partnerships have restricted access to external borrowings as credit worthiness of the partners would be key factor affecting credit decision for the lenders. In FY24, there has been withdrawal of capital amounting to Rs.1.52 crore. However, in 9MFY25, there has been no withdrawal of capital.

Fragmented nature of construction sector with tender-based nature of operations and execution challenges: The infrastructure sector in India is highly fragmented and competitive with many small and mid-sized players. This coupled with tendering process in order procurement results in intense competition within the industry, fluctuating revenues, and restrictions in profitability. Additionally, continued increase in execution challenges including delays in land acquisition, regulatory clearances, 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. All these are tender based and the revenues are dependent on the ability of the company to bid successfully for these tenders. Profitability margins come under pressure because of competitive nature of the industry.

Key strengths

Improved financial performance and profitability levels in FY24: The total operating income of the firm has been on an improving trend over last four years ended FY24. In FY24, firm reported TOI of Rs.88.06 crore as compared to Rs. 41.53 crore in FY23, an y-o-y growth of ~112%. This is on account of increase in order execution and also addition of fresh orders. The profit margins of the firm have remained healthy at about 12% over last five years. Inline with TOI, PBILDT and PAT levels of the company improved by 1.06x and 1.37 times i.e., to 10.28 crores and Rs. 4.98 crores respectively. Further, PBILDT and PAT margins of the company stood satisfactory at 11.67% and 5.65% respectively.

In 9MFY25, the firm reported total operating income of Rs.78.59 crore showing a growth of about 19% on an annualised basis. The firm has been executing orders without any delays. The PBILDT of the firm stood at Rs.7.36 crore and PAT of Rs. 4.33 crore. Profitability in terms of margins remained fairly stable with PBILDT margin of 9.37% and PAT margin at 5.51%.

Experienced partners: GSRCC was established in the year 2017 as a partnership firm; hence, it has established track record of operations. The Managing Partner of the firm is Mr. Gali Subbaraju, earlier was managing partner of the proprietorship concern, M/s Gali Subbaraju since 1980. He has an experience of more than four decades in civil construction industry and manages the day-to-day operations of the firm. Due to long term presence in the market, the promoter has established good relationships with its customers and suppliers which enables the firm to bag new orders.

Healthy order book providing medium to long term revenue visibility: Order book position of GSRCC stood at Rs. 355.51 crore as of November 30, 2024 (as against Rs.365.47 crore as of October 31, 2024). This translates to order book to sales ratio of 4.04x providing long term revenue visibility. The firm bagged an order from NHAI in March 2024 and is expected to execute the same by end of December 2025. The total work orders of the firm exclusively belong to government entities providing low counterparty risk.

Improved operating cycle: Operating cycle of GSRCC improved on account of increase faster recovery of debtors in FY24. The firm had executed orders in Odisha and Andhra Pradesh with counterparty being East Coast Railways and Visakhapatnam Metropolitan Region development Authority. As of March 31, 2024, outstanding debtors stood at Rs.14.42 crore (PYE: Rs.10.79 crore). Despite increase in turnover, change in outstanding receivables was on a lower side. Hence the collection period of the firm improved significantly to 52 days in FY24 from 99 days in FY23. Operating cycle improved to 17 days in FY24 (PY: 68 days).

Liquidity: Stretched

The liquidity position of the firm remains stretched marked by cash accruals of Rs.8 crore in FY24 vis-à-vis repayment obligations of Rs.5.68 crore in FY25. Its bank limits are highly utilized with average utilization of 88.45% during past 12 months ended January 31, 2025. The cash and bank balance stood low at Rs. 0.22 crore as on March 31, 2024. However, the liquidity of the company is supported by an above unity current ratio of 1.31x as on March 31, 2024. As the firm bagged large order from NHAI in FY23, working capital requirements have increased significantly. The firm enhanced its fund based working capital limits from Rs.10 crore to Rs.25 crore in current year.

Assumptions/Covenants: Not applicable

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 – Non financial Sector](#)

[Construction](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)
About the company and industry
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Gali Subba Raju Construction Company (GSRCC) is a partnership firm that commenced its operations in the year 2017 and has a registered office in Rajahmundry, Andhra Pradesh. The entity is engaged in the business of construction contracts/sub-contracts which includes the construction of roads, bridges, laying pipelines, construction of industrial and residential complex, etc. Priorly, the managing partner of the firm, Mr. Gali Subba Raju was carrying on the same business under the proprietorship concern, M/s Gali Subbaraju since 1980 and thus has enough experience and understanding of the dynamics of the business. There are four other partners in the firm. GSRCC is a family-owned business.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	41.53	88.06	78.59
PBILDT	4.98	10.28	7.36
PAT	2.10	4.98	4.33
Overall gearing (times)	2.89	2.47	1.51
Interest coverage (times)	3.03	4.42	4.41

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

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		-	-	-	25.00	CARE BB; Stable
Non-fund-based - ST-BG/LC		-	-	-	35.00	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	Fund-based - LT-Cash Credit	LT	25.00	CARE BB; Stable	1)CARE BB-; Stable (27-Nov-24) 2)CARE BB-; Stable (16-Apr-24)	-	-	-
2	Non-fund-based - ST-BG/LC	ST	35.00	CARE A4	1)CARE A4 (27-Nov-24) 2)CARE A4 (16-Apr-24)	-	-	-

LT: Long term; ST: 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 - ST-BG/LC	Simple

Annexure-5: Lender detailsTo 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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