RSR Infra Works (India) Private Limited

March 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	25.00 (Enhanced from 15.00)	CARE BB+; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE BB; Stable
Short Term Bank Facilities	75.00 (Enhanced from 40.00)	CARE A4+	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE A4

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in rating assigned to the bank facilities of RSR Infra Works (India) Private Limited (RSR) is constrained due to moderation in scale of operations & revenue during FY24, volatility in the input costs, fragmented nature of construction sector with tender-based nature of operations and execution challenges and high competition in the construction sector. The ratings however derive comfort from experience of promoters in the construction industry, medium term revenue visibility & lower counter party risk, growing asset base with low reliance on sub-contracting geographical diversification of orderbook and escalation clause in contracts, comfortable working capital cycle, satisfactory capital structure and liquidity position.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to scale up operations to over ₹ 250.00 crores while maintaining Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 8%.
- Ability of the company to expand and diversify the order book with subsequent improvement in size and scale of operation.

Negative factors

- Substantial decline in the volumes below the envisaged levels
- Delays in execution of orders beyond stipulated time frame and delay in receipt of collection of receivables from customers on a sustained basis.
- Any large debt funded capex impacting the liquidity.

Analytical approach: Standalone financials of RSR Infra Works (India) Private Limited is considered for the rating assessment

Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the extensive experience of the promoters and management in the industry

Detailed description of key rating drivers:

Key weaknesses

Moderation in operations & revenue during FY24:

The total operating income (TOI) of RSR declined to Rs.121.16 crore in FY24 from Rs.164.21 crore in FY23 on account of slower execution of projects due to slower approval from principal and limited resource mobilization. The same primarily resulted due to assembly and general elections. The profitability margins of the company moderated to 4.20% in FY24 as compared to 8.24% in FY23 on account of decline in TOI and PBILDT on absolute levels and limited coverage of expense by the moderated TOI. However, PAT margins slightly improved to 3.79% in FY24 from 3.23% in FY23 with reduction in depreciation expense and significant increase in non-operating income to Rs. 7.55 crores in FY24.

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

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

to bid successfully for these tenders. Profitability margins come under pressure because of competitive nature of the industry. However, the promoter's long industry experience of nearly two decades mitigates this risk to some extent.

High competition with tender driven nature of construction sector and executional challenges: The fortune of civil construction industry is linked to the condition of economy and fiscal policy of government, which is inherently cyclical in nature. The same reflects inherent risk to the business as revenue of the company is susceptible to budgetary allocations for infrastructure Projects and Government issues tenders as per their requirement which does not indicate assurance for continuous inflow of work. Additionally, continued increase in execution challenges such as delays in land acquisition, regulatory clearances, aggressive bidding, interest rate risk and delays in project due to environmental clearance are other external factors that limit the pricing flexibility and put pressure on its profitability. The infrastructure sector in India is highly fragmented with a large number of small and mid-sized players which makes the civil construction space highly competitive. However, RSR benefits with promoter's long industry experience and well-established track record that mitigates this risk to an extent.

Key strengths

Experienced promoters and well-established track record in civil construction industry:
RSR, incorporated in June 2010, is promoted by Mr. R Subba Raju (Managing Director) who has more than 30 years of experience in civil construction industry. Mr. R Gopala Krishna (S/o Mr. R Subba Raju), executive director of the company is a BE and MBA from UK, he has about two decades of experience in the construction industry. Mrs. R Mahalakshmi and Mrs. R Lavanya are the other two directors of the company. The company has well-established track record of more than a decade and has executed work orders pertaining to railways, road and irrigation segments on contractual basis. The top management is guided and assisted by experienced team of professionals with considerable experience in construction industry.

Medium term revenue visibility & lower counter party risk:
As on January 09, 2025, the order book position of the company stands at Rs.499.10 crore that translates to 4.12x of the gross revenue for FY24 (A) which reflects revenue visibility for the medium term. The company undertakes orders funded from central (71.31%) and state government (28.69%) departments such as South Central Railway, East Coast Railway, Irrigation Division Kakinada, Andhra Pradesh Tourism Development Corporation, etc. to minimize revenue risk.

Growing asset base with low reliance on sub-contracting and escalation clause in contracts:
RSR has been gradually developing its asset base with an aim to reduce dependence on subcontracting expenses. However, RSR outsources limited labour-intensive works & specialized activities such as pipeline laying, valve fixing, electrical works and plumbing etc. on back-to-back basis which has enabled the company to maintain operational efficiency. Hence, the sub-contracting expenses incurred by RSR remain comfortable during FY24. Further, RSR has price escalation clause in most of their civil construction projects which partially reduces the risk of increase in raw material costs and the burden of price increase is marked up in the billing to the concerned departments.

Satisfactory capital structure:
The debt profile of RSR comprises of term loans, mobilization advance, and working capital borrowings. The capital structure of the company remains satisfactory marked by overall gearing of 0.42x as on March 31, 2024, improved from 0.69 as on March 31, 2023, on account of lower utilization of working capital limits as compared to previous year and repayment of term loans and unsecured loans during March 31, 2024. Also, the debt coverage indicator, PBILDT-interest coverage ratio declined and stood at 1.38x in FY24 as compared to 4.51x on account of significant decline in PBILDT on absolute levels from Rs. 13.52 crores in FY23 to Rs. 5.09 crores in FY24 and increase in interest cost from Rs.3 crores in FY23 to Rs. 3.69 crores in FY24. The other debt coverage indicator, total debt to Gross Cash Accruals (GCA) improved and remained at 2.53x in FY24 as against 3.36x in FY23 mainly due to decrease in debt levels led by repayment of term loans and unsecured loans coupled with lower utilization of working capital limits.

Satisfactory operating cycle and working capital intensive nature of operations:
The company's operating cycle has remained negative over the years, highlighting its efficient working capital management. In FY24, the operating cycle stood at -69 days, improving from -92 days in FY23 and -126 days in FY22. This negative cycle is primarily driven by a strong supplier credit period, with average creditor days at 84 days in FY24, though it has moderated from 108 days in FY23 and 149 days in FY22. The average collection period further improved to 13 days in FY24 from 16 days in FY23, reflecting efficient receivables management and strengthened cash flow. Inventory management remained lean, with an average holding period of just 2 days in FY24, showcasing effective inventory turnover. Overall, the company's working capital cycle demonstrates its ability to leverage supplier credit while efficiently managing receivables and inventory, resulting in strong liquidity and operational efficiency.

Geographical diversification of order book:
The company benefits from a well-diversified geographic order book, reducing its reliance on any single region and enhancing revenue stability. As of the latest data, Andhra Pradesh contributes the highest share of the order book at 40.46% (₹201.96 crore), followed by Tamil Nadu with 29.88% (₹149.14 crore). Kerala contributes 19.72% (₹98.4 crore), while Telangana accounts for 7.83% (₹39.09 crore). Additionally, Manipur contributes 1.58% (₹7.88 crore), with Karnataka adding 0.53% (₹2.63 crore).

This broad geographic presence across multiple states provides the company with a competitive advantage, mitigating region-specific risks and ensuring consistent revenue streams from central and state government contracts.

Liquidity: Adequate
Adequate liquidity is marked by generation of Rs. 7.47 crore gross cash accruals as against repayment of Rs. 1.11 crore in FY25. The average fund based working capital utilisation remained lower at 82.94% for past 12 months ended December 2024. Further, the company has unencumbered cash and bank balance of Rs. 1.82 crore as on March 31,2024.

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

RIWPL is a construction company based out of Rajahmundry, Andhra Pradesh. RIWPL undertakes civil construction works related to railways and irrigation. The company promoted by Mr. R Subba Raju was originally set up as a proprietary concern in the year 1974. During 1998, the company was converted into a partnership firm known as M/s R Subba Raju. RIWPL was then converted into a private limited company on June 4, 2010 and the name was changed to present nomenclature. The company is registered as a special class contractor (Railway, Irrigation and road) with government of AP and Telangana.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	160.82	121.16	70.85
PBILDT	10.14	5.09	8.50
PAT	5.30	4.59	N.A
Overall gearing (times)	0.69	0.42	N.A
Interest coverage (times)	3.38	1.38	N.A

A: Audited UA: Unaudited; N.A: Not Available Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL has placed the ratings of RSRIWIPL under the issuer not cooperating category as per its PR dated February 10, 2025, 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-Bank Overdraft		-	-	-	25.00	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	75.00	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-Bank Overdraft	LT	25.00	CARE BB+; Stable	1)CARE BB; Stable; ISSUER NOT COOPERATING* (27-May-24)	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (28-Mar-23) 2)CARE BB+; Stable (06-Apr-22)	1)CARE BB+; Stable (26-Aug-21)
2	Non-fund-based - ST-Bank Guarantee	ST	75.00	CARE A4+	1)CARE A4; ISSUER NOT COOPERATING* (27-May-24)	-	1)CARE A4; ISSUER NOT COOPERATING* (28-Mar-23) 2)CARE A4+ (06-Apr-22)	1)CARE A4+ (26-Aug-21)

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short 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-Bank Overdraft	Simple
2	Non-fund-based - 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.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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