APRIL 20, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF RPP INFRA PROJECTS LIMITED

Ratings

Facilities	Amount (Rs. Crore)	Ratings[1]	Remarks
Long-term Bank Facilities	65	CARE BB+ (Double B Plus)	Reaffirmed
Short-term Bank Facilities	60	CARE A4+ (A Four Plus)	Reaffirmed
Total Facilities	**125**		

Rating Rationale

The ratings continue to be constrained by the elongated receivables period of RPP Infra Projects Limited (RPP) leading to higher working capital cycle, limited geographical diversification, increasing challenges in the construction sector and challenging industry scenario.

The ratings, however, favourably consider the experience of the promoters, established track record of the company, moderate order book position and financial risk profile characterized by stable margins, comfortable gearing levels and moderate coverage indicators.

Going forward, the ability of the company to improve its collection period and effectively manage its working capital requirements, execute the on-going projects in a timely manner and maintain its profitability margin while growing its scale of operations would be the key rating sensitivities.

Background

RPP was promoted by Mr Arul Sundaram in 1995. The company is primarily engaged in execution of civil construction projects across various segments like irrigation, water-related projects, SEZ development and construction of buildings besides having a small presence in road and power sectors. The company mainly operates in the southern states of India and has recently started diversifying to other states like Uttar Pradesh, Karnataka. RPP has two operating overseas subsidiaries in Sri Lanka and Mauritius which were incorporated for construction contract business. The day-to-day management is done by Mr Arul Sundaram supported by other well-qualified professionals.

During FY14 (refers to the period April 1 to March 31), the company reported a net profit of Rs.11.72 crore on a total income of Rs.238.67 crore. During 9MFY15, RPP has achieved net profit of Rs.12 crore on a total income of Rs.180 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications*

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