

October 30, 2024

Rithwik Projects Private Limited: [ICRA]A-(Stable)/[ICRA]A2+ assigned

Summary of rating action

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund based Term loans	442.13	[ICRA]A- (Stable); Assigned
Long-term Fund based Working Capital facilities	412.00	[ICRA]A- (Stable); Assigned
Long-term/Short-term - Non-fund based facilities	3345.87	[ICRA]A- (Stable)/[ICRA] A2+; Assigned
Issuer rating	-	[ICRA]A- (Stable); Assigned
Total	4200.00	

**Instrument details are provided in Annexure-I*

Rationale

The assigned rating for Rithwik Projects Private Limited (RPPL) factors in the strong order book (OB) of Rs. 9,309 crore as of June 30, 2024 providing healthy revenue visibility, with order-book diversified across mining, irrigation, barrages/dams, tunnels, roads, railways, pumped storage projects (PSP) and water supply segments. Further, the company has received two new PSP projects worth Rs. 4342 crore and other projects worth Rs. 1025 crore in H1 FY2025 improving the revenue visibility. The rating also considers RPPL's healthy scale of operations with revenues increasing at a CAGR of 31% to Rs. 3,114 crore in FY2024 from Rs. 1,069 crore in FY2020, on the back of improved order execution and healthy order addition. The scale of operations is expected to sustain in the medium term on the back of strong order book position and healthy execution. The operating margins of the company have also improved to 11.8% in FY2024 from 10.6% in FY2020 owing to increased scale of operations along with lower sub-contracting expenses and is expected to sustain at these levels in the medium term.

The rating also considers the reputed clientele including central PSUs such as NTPC Limited, NMDC Limited, NHPC Limited, RVNL, SJVN Limited, central government departments including NHAI, MoRTH, and city development corporations namely City and Industrial Development Corporation of Maharashtra Limited (CIDCO) and Mumbai Metropolitan Region Development Authority (MMRDA) among others, resulting in low counterparty risk. Given the focus on projects funded by multilateral agencies/central government, the payments are expected to be received in timely manner. The ratings also consider comfortable coverage metrics with interest coverage of 5.3 times and DSCR of 2.1 times in FY2024. With improvement in scale of operations and healthy profitability margins, the coverage metrics are expected to improve over the medium term.

The ratings are however, constrained by moderate working capital intensity with NWC/OI at 14.5% in FY2024 owing to high inventory and moderate debtor days. The working capital requirements are supported by high creditors and mobilisation advances from customers. Resultantly, the leverage as reflected by TOL/TNW is high at 2.1 times as of March 31, 2024. In the past, the company has sizeable exposure to State Governments, which has resulted in elongated cash conversion cycle and impacted its liquidity position. ICRA notes that amounts are stuck as receivables and inventory in legacy projects, due to final settlement of pre-closed projects, resulting in sizeable funds blocked as on 31.03.2024. The ability of the company to realise these amounts in a timely manner and improve the leverage position remains a key rating monitorable.

The average utilisation of fund-based limits is moderate at around 80% in the past 12 months ending July 2024. Given this, timely enhancement in working capital limits is crucial for improvement in the liquidity position. The ratings are further constrained by high geographical concentration risk with ~78% of the order book confined to top 3 states (Maharashtra, Andhra Pradesh & Himachal Pradesh) as of June 30, 2024. Further, the company has around 20% of order book in the states of Himachal Pradesh and Uttarakhand, which are prone to flood and are known for their difficult operating terrains. The company is also executing complex projects in these terrains including construction of dams and tunnels, which are prone to

delays, impacting the timely order execution and thereby impacting revenues. However, the company has more than two decades of experience in handling similar projects in these terrains which is likely to mitigate such risks to an extent.

The rating is further constrained by the committed investments of over Rs.340 crore to be infused over FY2023-FY2027 for Hybrid Annuity Model (HAM) and Mining Developer-cum-Operator (MDO) projects. The company has already infused Rs. 175 crore in HAM and MDO projects as of March 31, 2024 and is adequately placed to infuse the balance funds from its operational cash flows in the medium term. It is also expected to incur capex of around Rs. 100-150 crore each year to support the order execution. Any large debt funded equipment addition resulting in weakening of debt coverage metrics would remain a key rating monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will be able to sustain its revenues and coverage metrics on the back of healthy order book and execution along with stable working capital cycle.

Key rating drivers and their description

Credit strengths

Healthy order book position providing medium term revenue visibility – The order book position of the company is healthy at Rs. 9,309 crore as of June 30, 2024. The OB/OI ratio stands at 3.0 times providing medium term revenue visibility for the company. Further, the company has received two new PSP projects worth Rs. 4342 crore and other projects worth Rs. 1025 crore in H1 FY2025 improving the revenue visibility.

Strong revenue growth and healthy operating margins – RPPL scale of operations improved significantly with revenues increasing to Rs. 3,114 crore in FY2024 from Rs. 1,069 crore in FY2020, on the back of improved order execution and healthy order book addition over the years. The scale of operations is expected to sustain in the medium term on the back of strong order book position and healthy execution. Further, the operating margins of the company have improved to 11.8% in FY2024 from 10.6% in FY2020 owing to increased scale of operations along with lower sub-contracting expenses and is expected to sustain at these levels in the medium term. The coverage metrics are also comfortable with interest coverage of 5.3 times and DSCR of 2.1 times in FY2024. With improvement in scale of operations and healthy profitability margins, the coverage metrics are expected to improve over the medium term.

Diversified order book and reputed clientele – The order-book is diversified, with orders from barrages/dams, tunnels, roads, railways, water supply and PSP. The top 4 segments (barrages, PSP, roads (incl. tunnels) and railways) contribute to 71% of the order book as of June 30, 2024. Further, the client profile of the company is reputed with majority of the orders from central PSUs, central government departments and city development corporations, resulting in low counterparty risk. Given the focus on projects funded by multilateral agencies/central government, the payments are expected to be received in timely manner, which is likely to keep the incremental working capital requirements low going forward.

Credit challenges

Moderate working capital intensity - The working capital intensity of the company is moderate with NWC/OI of 14.5% in FY2024 owing to high inventory and moderate debtor days. The working capital requirements are also supported by high creditors and mobilisation advances from customers. Resultantly, the leverage as reflected by TOL/TNW is high at 2.1 times as of March 31, 2024. The average utilisation of fund-based limits is moderate at around 80% in the past 12 months ending July 2024. Given this, timely enhancement in working capital limits is crucial for improvement in the liquidity position.

Moderate geographic concentration - The company has moderate geographical concentration with the top 3 states contributing to around 78% of order book as on June 30, 2024. Further, the company has around 20% of order book in the states of Himachal Pradesh and Uttarakhand, which are prone to flood and are known for their difficult operating terrains. Additionally, the company is executing complex projects including construction of dams and tunnels, which are prone to delays.

However, the company has more than two decades of experience in handling similar projects in these terrains which is likely to mitigate such risks to an extent.

Sizeable group investments to constrain its liquidity and leverage position - The company has committed investments of over Rs.340 crore to be infused over FY2023-FY2027 for Hybrid Annuity Model (HAM) and Mining Developer-cum-Operator (MDO) projects. The company has already infused Rs. 175 crore in HAM and MDO projects as of March 31, 2024 and is adequately placed to infuse the balance funds from its operational cash flows in the medium term. In the past, the company has sizeable exposure to State Governments, which has resulted in elongated cash conversion cycle and impacted its liquidity position. ICRA notes that amounts are stuck as receivables and inventory in legacy projects, due to final settlement of pre-closed projects, resulting in sizeable funds blocked as on 31.03.2024. The ability of the company to realise these amounts in a timely manner and improve the leverage position remains a key rating monitorable.

Liquidity position: Adequate

The liquidity position of the company is adequate, with free cash and balances of Rs. 5.95 crore and cushion in working capital limits of Rs. 40 crore as on March 31, 2024. The average working capital utilisation for the past 12 months ending July 2024 remained moderate at 80%. The company is expected to incur capex of around Rs. 100-150 crore and has debt obligations of Rs. 96.5 crore in FY2025, which can be comfortably met through estimated cash flow from operations and proposed debt. Further, sanction of project specific working capital limits is expected to support the liquidity position in the near term.

Rating sensitivities

Positive factors – The rating could be upgraded in case of improvement in earnings and reduction of working capital cycle resulting in improvement in debt coverage metrics and liquidity position on a sustained basis. Specific credit metrics that could lead to an upgrade, include interest cover of more than 6.0 times and TOL/TNW less than 1.3 times, on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is a significant decline in earnings or an increase in the working capital cycle or higher than envisaged investments in developmental projects adversely impacting the debt coverage metrics and liquidity position on a sustained basis. Specific credit metrics for a rating downgrade include interest coverage less than 4.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has done limited consolidation of Rithwik MBR Infra Private Limited, Chattibariatu Coal Mining Private Limited and Tokisud Mining Private Limited factoring in the equity commitments and support towards meeting any cash flow mismatches.

About the company

Rithwik Projects Private Limited (RPPL) was incorporated in March 1999 and is based out of Hyderabad. RPPL is an infrastructure development company providing engineering, procurement and construction (EPC) services in various infrastructure segments including irrigation, construction of dams, barrages, spillways, canals, construction of hydro power projects, railways, tunnels, roads and PSP works. The company is currently executing works for reputed clients including NHAI, MoRTH, RVNL, NHPC, NTPC, NMDC, SJVNL, CIDCO, MMRDA and Greenko among others.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	1719.0	3114.2
PAT	103.4	159.5
OPBDIT/OI	13.6%	11.8%
PAT/OI	6.0%	5.1%
Total outside liabilities/Tangible net worth (times)	1.8	2.1
Total debt/OPBDIT (times)	1.3	1.3
Interest coverage (times)	3.4	5.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				October 30, 2024			
1	Term loans	Long term	442.13	[ICRA]A- (Stable)	-	-	-
2	Working Capital facilities	Long term	412.00	[ICRA]A- (Stable)	-	-	-
3	Non-fund based facilities	Long term and short term	3345.87	[ICRA]A- (Stable)/ [ICRA] A2+	-	-	-
4	Issuer rating	Long term	0.00	[ICRA]A- (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund based Term loans	Simple
Long-term Fund based Working Capital facilities	Simple
Long-term/Short-term Non-fund based facilities	Very Simple
Issuer rating	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	NA	NA	September 2028	442.13	[ICRA]A- (Stable)
NA	Working Capital facilities	NA	NA	NA	412.00	[ICRA]A- (Stable)
NA	Non-fund based facilities	NA	NA	NA	3345.87	[ICRA]A- (Stable)/[ICRA] A2+
NA	Issuer rating	NA	NA	NA	-	[ICRA]A- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	RPPL Ownership	Consolidation Approach
Rithwik MBR Infra Private Limited	74.00%	Limited Consolidation
Chattibariatu Coal Mining Private Limited	74.00%	Limited Consolidation
Tokisud Mining Private Limited	51.00%	Limited Consolidation

Source: RPPL, ICRA Research

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Branches



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