

November 28, 2024

Ram Kripal Singh Construction Pvt. Ltd.: Ratings reaffirmed/Assigned for Enhanced amount

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based limits-Cash credit	400	208.00	[ICRA]BBB+ (Stable); Reaffirmed
Fund-based limits-Term loan	-	295.69	[ICRA]BBB+ (Stable); Assigned
Non-fund based limits	1000	1250.00	[ICRA]BBB+ (Stable); Reaffirmed/ Assigned for enhanced amount
Unallocated	-	71.31	[ICRA]BBB+ (Stable)/[ICRA]A2; Assigned
Short-term - Interchangeable	(60)	(125.00)	[ICRA]A2; Reaffirmed/ Assigned for enhanced amount
Total	1400.0	1825.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Ram Kripal Singh Construction Private Limited (RKSCPL) factors in the healthy increase in its scale of operations (YoY revenue growth of 25% in FY2024 to ~Rs. 3,013 crore) and steady operating margins (13.6% in FY2024 Vs. 14.3% in FY2023). While it saw a muted order inflow in FY2024 and YTD FY2025, its outstanding order book (OB) of Rs. 10,752 crore as on September 30, 2024 (translating into OB/operating income (OI) ratio of over ~3.5 times based on FY2024 revenues) provides adequate medium-term revenue visibility. The company's ability to execute the orders in hand and replenish its OB, to sustain its scale of operations and profitability, will remain a monitorable. ICRA expects revenue growth of 5-10% in FY2025 and FY2026, with margins sustaining at 13-14%. Further, the ratings consider its reputed clientele, consisting of Government bodies like the National Highways Authority of India (NHAI) and the Ministry of Road Transport and Highways (MoRTH), Northern Coal Fields Limited, NBCC (India) Limited, Indian Oil Corporation Limited, etc, which results in low counterparty credit risk. The ratings note the long track record in the construction business and proven experience of the promoters in business.

RKSCPL has sizeable repayment obligations, in addition to equity commitments in HAM over the medium term, which exerts pressure on its liquidity. Also, following the expiry of relief measures offered under the Atmanirbhar Bharat scheme and reinstatement of milestone-based billing, the company's working capital intensity (NWC/OI) increased in FY2024 (~14% against ~9% in FY2023) and is expected to remain at around similar levels in FY2025. Continued availability of mobilisation advances, timely enhancement in working capital limits and expected release of sizeable cash collateral requirement against the same, will be crucial for improvement in liquidity, supporting the order execution and remains a key rating monitorable.

The ratings are constrained by the high execution risks (with ~70% of orders in the nascent stages (<20% completion) of execution), geographically concentrated nature of its OB (with three states accounting for over 80% of the outstanding order book) as on September 30, 2024. RKSCPL's ability to increase the pace of execution, while maintaining profitability margins and efficient working capital cycle, achieve appointed dates (AD) in two HAM projects and arrange timely equity funding for these projects, without significantly increasing its leverage, will be critical from the credit perspective. Any incremental exposure to HAM/BOT projects could pressurise its cash flows as well as liquidity position, and will be a credit negative.

RKSCPL remains exposed to the cyclicity inherent in the construction industry and intense competition in the tender-based contract award system, resulting in risk of volatility in order inflows, revenues and pressure on profit margins. While ICRA draws comfort from the company's long execution track record, it notes invocation of bank guarantees (BGs) in one of its railway projects in January 2024 (which was paid off within 30 days). Given the sizeable contingent liabilities in the form of BGs

(o/s Rs. 900 crore as of August 2024), mainly for contractual performance, mobilisation advances and security deposits, the company's cash flows will remain exposed to such invocation risks.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to maintain its credit metrics, driven by its strong execution capabilities, and that its incremental capex and/or investments will be funded in a manner that it is able to durably maintain its debt protection metrics, commensurate with the rating level.

Key rating drivers and their description

Credit strengths

Established track record and experienced promoters – The company has expertise in the road construction sector with an established track record of successful project execution over the past 40 years, particularly in Jharkhand and Bihar. The promoters are closely involved in the day-to-day operations and have extensive experience in the construction business. Under their supervision, the company witnessed a healthy ramp-up in scale of operations (revenues), as reflected in a CAGR of 20% over the last five years to ~Rs. 3,013 crore in FY2024. The same was driven by a healthy order book addition, increasing average contract size and improvement in pace of order execution, which are all expected to sustain over the medium term.

Adequate order book provides satisfactory revenue visibility – RKSCPL's order book position remains strong at Rs. 10,752.41 crore as on September 30, 2024, translating into an order book to OI ratio of ~3.6 times and with a weighted average project execution time of 3 years, which provides adequate medium-term revenue visibility. The company has been declared L1 in two orders cumulatively worth Rs. 236 crore in YTD FY2025 and expects to add incremental orders of Rs. 500 crore. ICRA notes that ~Rs. 2,089 crore (19% of the current order book) of orders comprise NHAI HAMs, where the AD is still awaited and ~Rs. 1,100 crore worth of orders are slow-moving. Its ability to execute all these orders in a timely manner would remain critical from the credit perspective.

Reputed customer profile mitigates counterparty risk to some extent – RKSCPL's customers includes Government bodies like the NHAI, MoRTH, Northern Coal Fields Limited, NBCC (India) Limited, Indian Oil Corporation Limited, etc. It has executed orders for public works departments (PWDs), roads and buildings (R&B) divisions and state road project as well as irrigation and housing divisions of various states such as Bihar, Jharkhand, and Maharashtra. The counterparty credit risk remains low, given the reputed client profile.

Credit challenges

Sizeable equity commitment and execution risks related to HAM projects – RKSCPL has four road HAM projects (two ongoing and two awaiting AD) in its order book with cumulative equity requirement of ~Rs. 687.5 crore. The company expects to receive AD for one HAM in Q4 FY2025 and the last one in Q3 FY2026. It has already infused ~Rs. 172 crore in the HAMs till October 2024 and the balance needs to be infused over the next two-three years. The pending equity commitments, sizeable debt repayment obligations, coupled with limited cushion in working capital facilities constrains its liquidity. Its ability to tie-up adequate funding, timely commence and complete these HAM projects within the budgeted costs remains a key rating monitorable in the medium term.

Moderate coverage indicators – The consolidated external debt on the company's books stood at ~Rs. 606 crore) as on March 31, 2024 Vs. Rs. 508 crore as on March 31, 2023. Given its sizeable repayment obligations in FY2025 and FY2026, the consolidated DSCR is expected to moderate from FY2024 levels over the medium term. RKSCPL has extended corporate guarantees till the start of commercial operations or the first annuity receipt for three of its road HAM projects. Any change in the said arrangement would be a key monitorable.

Exposure to high execution and other sectoral risks – The ratings are constrained by the execution risks in the current order book as ~70% of the projects are in the nascent stage ($\leq 20\%$ complete). These risks are aggravated by the presence of slow-moving projects in the order book because of land acquisition (mining and HAMs), or design approval-related issues, among others. Nonetheless, no penalties have been levied on account of the same. Further, the order book is geographically concentrated with Bihar, Jharkhand and Chhattisgarh accounting for over 80% of the outstanding order book as on September 30, 2024. The company remains exposed to the risk of invocation of sizeable bank guarantees (~Rs. 900 crore outstanding as on September 30, 2024). ICRA notes that there was an instance of BG invocation of ~Rs. 25 crore in January 2024 in one of the railway projects and the same were paid out within 30 days. Additionally, the inherent cyclicity in the construction industry, intense competition in the tender-based contract award system and stiff competition in the road sector for both the EPC and HAM projects remain a risk, as these could result in volatile OB, revenues and profitability.

Liquidity position: Stretched

RKSCPL's liquidity is expected to be stretched, given the high repayment obligation (~Rs. 137 crore/Rs. 112 crore in FY2025/FY2026) and equity commitment requirements (~Rs. 230-240 crore each in FY2025/FY2026), in addition to routine capex and incremental working capital margin requirements. The company's average fund-based limit utilisation stood at ~76% (against the drawing power) for the 12-month period ending August 2024. Timely enhancement in sanction limits and release of blocked cash collateral (currently Rs. 196 crore) will be imperative to support scale-up of its operations and working capital requirements and thus remains a key monitorable.

Rating sensitivities

Positive factors – Sustained increase in earnings coupled with significant improvement in liquidity position, while maintaining comfortable debt coverage indicators would be critical for a rating upgrade. Specific credit metric, which may trigger a rating upgrade, is DSCR over 1.8 times on a sustained basis.

Negative factors – Sustained pressure on earnings or inability to improve the company's liquidity profile through adequate funding tie up or reduction in cash collateral or any further pressure on liquidity and/or coverage metrics on account of deterioration in working capital cycle or any significant investments including incremental exposure towards BOT projects could lead to rating downgrade. Specific credit metrics for a rating downgrade would be consolidated DSCR less than 1.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	NA
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the entity where RKSCPL has extended corporate guarantee for the entire tenure of the debt. For other entities, ICRA has used the limited consolidation approach, under which the proposed equity investments for under construction projects have been considered. The list of companies considered for limited/full consolidation are given under Annexure II.

About the company

Incorporated in 1973 as a proprietorship entity (M/s Ram Kripal Singh), RKSCPL was converted into a private limited company in October 2003. It is primarily an EPC contractor with presence in roads, mining, railways, building, irrigation, etc. Its major clients include the NHAI, MoRTH, Northern Coal Fields Limited, NBCC (India) Limited, Indian Oil Corporation Limited, etc. It has

also executed orders for PWDs, R&B divisions and state road project as well as irrigation and housing divisions of various states like Bihar, Jharkhand and Chhattisgarh.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	2,415.2	3,012.7
PAT	161.3	202.7
OPBDIT/OI	14.3%	13.6%
PAT/OI	6.7%	6.7%
Total outside liabilities/Tangible net worth (times)	1.8	1.4
Total debt/OPBDIT (times)	1.3	1.2
Interest coverage (times)	4.5	5.9

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

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	Nov 28, 2024	Date	Rating	Date	Rating	Date	Rating
Fund-based limits-Cash credit	Long term	208.00	[ICRA]BBB+ (Stable)	Aug 31, 2023	[ICRA]BBB+ (Stable)	May 27, 2022	[ICRA]A- (Stable)	-	-
Fund-based limits-Term loan	Long term	295.69	[ICRA]BBB+ (Stable)	-	-	-	-	-	-
Non-fund based limits	Long term	1250.00	[ICRA]BBB+ (Stable)	Aug 31, 2023	[ICRA]BBB+ (Stable)	May 27, 2022	[ICRA]A- (Stable)	-	-
Unallocated	Long term /Short term	71.31	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-	-	-
Interchangeable	Short term	(125.00)	[ICRA]A2	Aug 31, 2023	[ICRA]A2	May 27, 2022	[ICRA]A2+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term -Fund-based limits-Cash credit	Simple
Long-term - Fund-based limits-Term loan	Simple

Long-term - Non-fund based limits	Very Simple
Long-term /Short-term - Unallocated	NA
Short-term - Interchangeable	Very simple

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	Fund-based limits-Cash credit	NA	NA	NA	208.00	[ICRA]BBB+ (Stable)
NA	Fund-based limits-Term loan	NA	NA	NA	295.69	[ICRA]BBB+ (Stable)
NA	Non-fund based limits	NA	NA	NA	1250.00	[ICRA]BBB+ (Stable)
NA	Unallocated	NA	NA	NA	71.31	[ICRA]BBB+ (Stable)/A2
NA	Short-term - Interchangeable	NA	NA	NA	(125.00)	[ICRA]A2 (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	Ownership	Consolidation Approach
RKSCPL Highway Private Limited	100%	Full Consolidation
Mayi Ram Pyari Devi Highways Private Limited	100%	Limited Consolidation
Aneeka Expressway Private Limited	100%	Limited Consolidation
Bhola Singh Expressway Pvt Ltd.	100%	Limited Consolidation

Source: Company

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