

March 26, 2025

RRSM Infra Private Limited: Ratings reaffirmed; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash credit	80.0	80.0	[ICRA]A- reaffirmed; Outlook revised to Positive from Stable
Long-term/ Short-term – Non-fund based – Bank guarantee	470.0	470.0	[ICRA]A-/ [ICRA] A2+ reaffirmed; Outlook revised to Positive from Stable
Total	550.0	550.0	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation with revision in outlook to Positive reflects ICRA's expectation of an improvement in the credit profile of RRSM Infra Private Limited (RIPL, erstwhile Rajendra Singh Bhamboo Infra Private Limited) over the near to medium term with increasing scale of operations, while sustaining healthy profitability and debt coverage indicators. Despite ~29% YoY decline in the company's operating income (OI) in FY2024 owing to a delay in commencement of certain projects awarded in H2 FY2024, a healthy recovery was witnessed in 9M FY2025, as reflected in an OI of Rs. 843.5 crore (21% higher than OI of FY2024). ICRA expects RIPL to surpass its previous peak revenues (FY2023 levels) in FY2025, and the growth momentum to sustain in FY2026-2027, on the back of an order book (OB) of Rs. 3,335.6 crore (including GST) as on December 31, 2024. The same is 4.1 times of its OI in FY2024 and 2.5 times of its trailing-twelve-month OI as on December 31, 2024, which provides adequate revenue visibility, considering the average execution period of 2.0-2.5 years.

The ratings favourably factor in a gradual but sustain improvement in geographical diversification along with improved clientele with increasing share of Central Government and multi-lateral agencies-funded projects (at over 95% of the OB as of December 2024), which is expected to support a comfortable cash conversion cycle. Despite some moderation in the coverage and leverage metrics, with interest coverage of 6.5 times in 9M FY2025 (FY2024: 11.8 times) and leverage (i.e., total outside liabilities/tangible net worth [TOL/ TNW]) of 1.3 times as on December 31, 2024 (FY2024: 0.8 times), owing to sizeable mobilisation advances availed and higher working capital utilisation, the financial profile remains comfortable (Vs. peers). RIPL's business profile derives strength from its reputed clientele, comprising public sector entities, and the extensive experience of the promoters in the construction sector.

The ratings, however, remain constrained due to the concentration risks associated with RIPL's order book, which is currently entirely focused on the road segment, with the top five projects accounting for ~69% share as of December 2024. The company is also exposed to execution risk, as over ~60% of the orders in hand (by residual order value) are in the nascent stages of execution, with less than 20% progress. Nevertheless, ICRA draws comfort from RIPL's track record in the construction business and successful completion of projects within the stipulated time. The ratings factor in the stiff competition in the construction sector, which limits the pricing flexibility. This is reflected in its operating profit margins (OPM), which remained moderate, in the range of 10%-12.0% during FY2019-2024¹, even as price escalation clauses in contracts mitigate the risk of adverse volatility in raw material prices to an extent.

¹ The reported OPM stood at 14.4% in FY2024 owing to receipt of bonus. However, adjusted for such bonus, the same were around 11.8%.

RIPL is expected to continue bidding for hybrid annuity (HAM) road projects in the near to medium term (albeit no such projects in current OB). Any significant equity commitments in such projects could pressurise the cash flows and will be a key monitorable. The company remains exposed to the cyclical nature 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. Also, the ratings consider RIPL's exposure to sizeable contingent liabilities in the form of bank guarantees (Rs. 358.4 crore outstanding as on December 31, 2024 viz. 1.2 times of its tangible net worth), mainly for contractual performance, mobilisation advances and security deposits. ICRA, however, draws comfort from RIPL's execution track record and absence of invocation of guarantees in the past and its long presence and established relationship with the clients, which support order inflows.

ICRA has taken note of the penalty of Rs. 55.47 crore imposed by the National Green Tribunal (NGT) on the company in February 2023. The matter is sub judice since April 2023, without any material development. Any adverse ruling leading to material cash outflows and impacting its liquidity position would be a credit negative.

Key rating drivers and their description

Credit strengths

Strong order book position providing medium-term revenue visibility – RIPL had a pending order book of Rs. 3,335.6 crore as on December 31, 2024 (inclusive of GST), which is ~4.1 times its OI in FY2024 and 2.5 times of its trailing-twelve-month OI as on December 31, 2024, which provides healthy revenue visibility, considering the average execution period of 2.0-2.5 years. Based on the same, the company's revenues are expected to sustain over Rs. 1,100- 1,200 crore over the medium term.

Comfortable leverage and coverage metrics – RIPL is projected to report a healthy YoY growth in its OI in FY2025 (to Rs. 1,100-1,150 crore Vs. Rs. 696.9 crore in FY2024 and Rs. 983.8 crore in FY2023). While its operating profitability will moderate marginally on a YoY basis to 11-12%, the absolute profits are expected to remain comfortable. However, given the increasing scale, dependence on external borrowings and mobilisation advances is likely to increase. This is partly reflected in TOL/ TNW 1.3 times as on December 31, 2024 (Vs. 0.8 times in March 2024), interest over of 6.5 times in 9M FY2025 (11.8 times in FY2024) and DSCR of 3.3 times in 9M FY2025 (Vs. 5.3 times in FY2024). Nonetheless, despite some moderation, the leverage and coverage metrics are expected to sustain at comfortable levels.

Vast experience of promoters and management in construction industry and reputed clientele – RIPL is promoted by Mr. Rajendra Singh Bhamboo and Mr. Rajendra Kumar Dangi, with over four decades of experience in the construction sector. Further, the current order book comprises orders from reputed public sector entities with a low counterparty credit risk viz. Ministry of Road Transport and Highways (MoRTH), Madhya Pradesh Road Development Corporation (MPRDC) (funded by Asian Development Bank), Public Works Department (PWD) – Rajasthan, among others, which largely mitigates counterparty risk.

Credit challenges

Concentrated order book; exposed to execution risks – The company's order book remains exposed to project concentration risk as the top five projects accounted for ~70% of the order book as on December 31, 2024. RIPL is also exposed to execution risks associated with contracts, as ~60% of orders in hand are in the nascent stages, with less than 20% progress as on December 31, 2024, including some projects that are yet to receive the appointed date. Nevertheless, ICRA draws comfort from RIPL's track record in the construction business and successful completion of projects within the stipulated time (has even received bonus award of Rs. 37 crore from the National Highways Authority of India (NHAI) and MoRTH during FY2024-2025 for early completion of three projects).

Competitive nature of industry impacting operating margins – Despite robust improvement in scale during FY2019-2023, the operating margins remained range-bound within 10% – 12%. Further, RIPL witnesses stiff competition in the construction segment with the presence of several players, which limits the pricing flexibility. However, presence of price escalation clauses in most contracts mitigates the risk of sharp movement in OPM to an extent.

Sector risks including sizeable non-fund based exposure – RIPL is 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. It is also exposed to sizeable contingent liabilities in the form of bank guarantees (~Rs. 358 crore as on December 31, 2024), mainly towards performance guarantee, mobilisation advance and EMDs. Nonetheless, ICRA draws comfort from the company's long presence and established relationship with clients, healthy execution track record and no invocation of guarantees in the past.

Liquidity position: Adequate

The company's liquidity is expected to remain adequate, with healthy cash flow from operations, supported by free cash and bank balances of ~Rs. 54 crore as on December 31, 2024 and cushion in the form of unutilised fund-based limits of approximately Rs. 10 crore (~66% average nine month utilisation for the period that ended on December 31, 2024). Against the same, RIPL has debt repayment obligations of around Rs. 15-20 crore per annum in FY2026 and FY2027 and modest capex plans, which should be comfortably funded from its cash flow from operations. In addition, it enjoys flexibility through provision to avail mobilisation advances and realise retention money against bank guarantees (undrawn lines of Rs. 175 crore as on December 31, 2024).

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a sustained improvement in the company's scale of operations and profitability margins, while maintaining comfortable coverage and leverage metrics.

Negative factors – Pressure on the ratings could arise if there are significant delays in project execution leading to a decline in its scale and operating profitability, or deterioration in its liquidity position or if there is a higher-than-expected increase in exposure to developmental projects, or any crystallisation of contingent liability, which materially impacts the company's liquidity position. A substantial rise in working capital intensity or TOL/TNW increasing over 1.3 times, on a sustained basis, may trigger a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

RRSM Infra Private Limited (RIPL) is a construction company promoted by Mr. Rajendra Singh Bhamboo and Mr. Rajendra Singh Dangi, who have been associated with the construction sector since 1980. Earlier, the promoters were operating under a partnership firm (M/s Rajendra Singh Bhamboo). RIPL is involved in the business of civil construction, which primarily includes construction of roads and bridges. It has completed multiple projects in Rajasthan, Madhya Pradesh, Maharashtra, Assam, Tripura and is currently executing projects in some of these states, along with Andhra Pradesh. The company is enlisted as

“AA” class contractor with the Public Works Department (PWD) Government of Rajasthan, Jaipur Development Authority (JDA), Water Resources Department (WRD) Government of Rajasthan and Rajasthan Housing Board (RHB).

Key financial indicators (audited)

RIPL	FY2023	FY2024
Operating income (Rs. crore)	983.8	696.9
PAT (Rs. crore)	56.8	59.7
OPBDIT/OI (%)	10.1%	14.4%^
PAT/OI (%)	5.8%	8.6%
Total outside liabilities/Tangible net worth (times)	0.9	0.8
Total debt/OPBDIT (times)	0.5	0.9
Interest coverage (times)	8.6	11.8

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; ^includes bonus for early completion of the projects

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount Rated (Rs. crore)	Current (FY2025)		Chronology of rating history for the past 3 years						
			Mar 26, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long-term	80.00	[ICRA]A- (Positive)	Dec-05-24	[ICRA]A- (Stable)	Mar-26-24	[ICRA]A- (Stable)	Mar-16-23	[ICRA]BBB+; Rating Watch with Developing Implications	-	-
				-	-	Dec-13-23	[ICRA]A- (Stable)	Sep-20-22	[ICRA]BBB+ (Stable)	-	-
				-	-	Oct-04-23	[ICRA]A- (Stable)	-	-	-	-
				-	-	May-02-23	[ICRA]BBB+ (Stable)	-	-	-	-
Non-fund based – Bank guarantee	Long-term/Short-term	470.00	[ICRA]A- (Positive)/ [ICRA]A2+	Dec-05-2024	[ICRA]A- (Stable)/ [ICRA] A2+	Mar-26-24	[ICRA]A- (Stable)/ [ICRA]A2+	Mar-16-23	[ICRA]BBB+; Rating Watch with Developing Implications / [ICRA]A2; Rating Watch with Developing Implications	-	-
				-	-	Dec-13-23	[ICRA]A- (Stable)/ [ICRA] A2+	Sep-20-22	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-
				-	-	Oct-04-23	[ICRA]A- (Stable)/ [ICRA] A2+	-	-	-	-
				-	-	-	-	-	-	-	-

Instrument	Type	Amount Rated (Rs. crore)	Current (FY2025)			Chronology of rating history for the past 3 years					
			FY2025			FY2024		FY2023		FY2022	
			Mar 26, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
				-	-	May-02-23	[ICRA]BBB+ (Stable)/ [ICRA] A2	-	-	-	-
Unallocated	Long-term/Short-term	-	-	-	-	Mar-26-24	[ICRA]A- (Stable)/ [ICRA] A2+	-	-	-	-
				-	-	Dec-13-23	[ICRA]A- (Stable)/ [ICRA] A2+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term/ Short-term – Non-fund based – Bank guarantee	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 – Cash credit	NA	NA	NA	80.00	[ICRA]A- (Positive)
NA	Non-fund based – Bank guarantee	NA	NA	NA	470.00	[ICRA]A- (Positive)/[ICRA]A2+

Source: Company data, ICRA Research

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

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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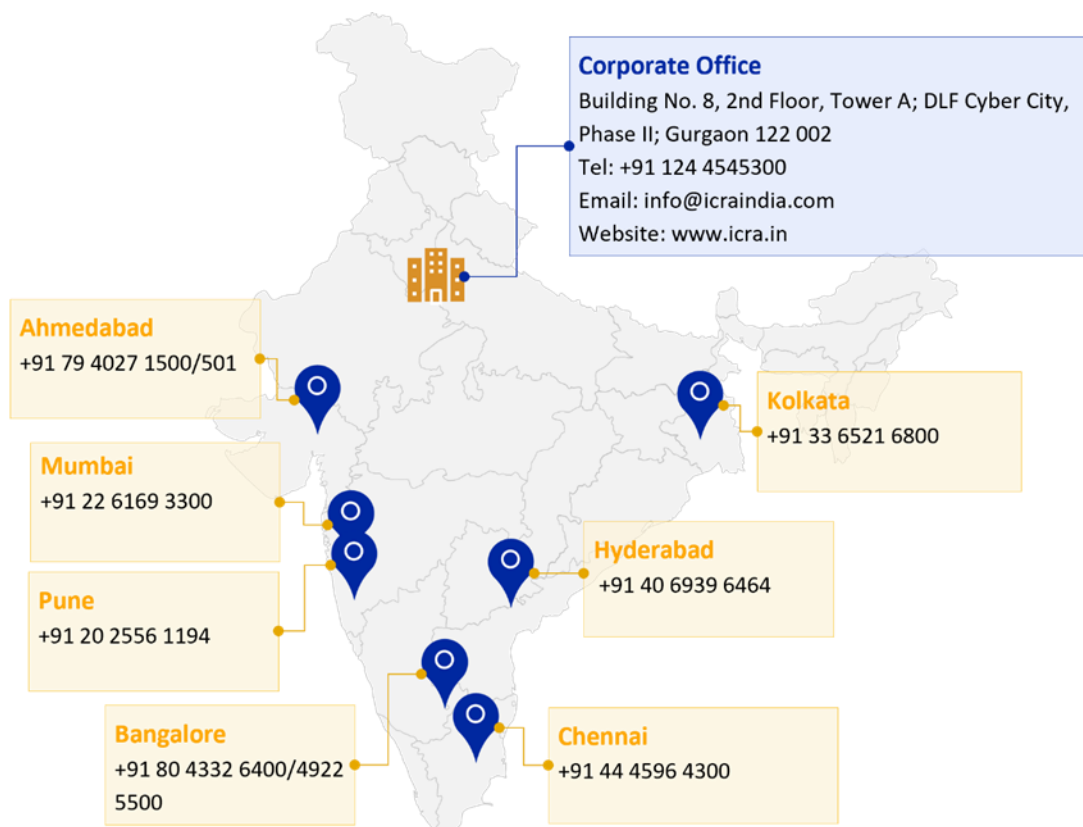


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