

May 19, 2025

RMS Construction Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Overdraft	6.0	6.0	[ICRA]BB (Stable); reaffirmed
Long-term/short-term – Non-fund based	69.0	69.0	[ICRA]BB (Stable)/[ICRA]A4; reaffirmed
Total	75.0	75.0	

*Instrument details are provided in Annexure I

Rationale

The reaffirmed ratings continue to consider the established track record of RMS Construction Private Limited (RCPL) in the civil construction industry and reputed clientele with low counterparty risk. ICRA notes that the company's order book declined to Rs. 367 crore as of February 2025 (Rs. 539.8 crore as of February 2024) due to lower fresh order booking. However, it still provides revenue visibility for the company in the medium term.

The ratings, however, are constrained by the company's subdued operating margin, driven by the absence of any price-escalation clauses in case of adverse movement of input prices, coupled with a stretched liquidity profile, as evident from high utilisation of its working capital limits. The company also remains exposed to high order book and client concentration risks, as majority of the projects are of a similar nature and from a single client. Additionally, the company is exposed to project execution risks, as any unanticipated delay beyond the permitted schedule could result in penalties and cost overruns, especially in the absence of any price-escalation clauses. The ratings also factor in the intense competition from other unorganised players, which exerts pressure on RCPL's profitability.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company is likely to sustain its operating metrics even as its revenue growth and profitability could be volatile. Further, the outlook underlines ICRA's expectations that the company's working capital and short-term fund requirements, would be funded in a manner that 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 of the company – RCPL's promoters have been in the construction business for over a decade, which aided the company in securing new and repeat orders, especially from the Defence Research and Development Organisation (DRDO), its major client.

Reputed client profile – The counterparties for the tender-based projects executed by RCPL are reputed Government organisations, with the major clients being DRDO, a Government of India (GoI) entity. Additionally, RCPL has recently undertaken a project for a reputed Israel-based technology company, Elbit Systems Limited, which has been awarded a large project by DRDO.

Credit challenges

Exposure to execution risk and high project and client concentration – RCPL had an unexecuted order book of Rs. 367.2 crore, translating to an OB/OI ratio of 1.7 times over FY2024 operating income (compared to Rs. 540 crore as on February 8, 2024). This indicates execution risk for the company, with a requirement to ramp up the pace and complete the projects in hand within the scheduled timeline. The company’s clientele continues to be concentrated, with the top three orders constituting 55% of the outstanding order book as on February 28, 2025, and DRDO being its major customer. Given the client concentration, the risk of non-delivery in any project or a weakening of business relationships with counterparties (DRDO, which accounts for 68% of the outstanding order book, and the balance from Elbit Systems Limited) can have a negative impact on securing future orders. Additionally, any change in the policies of the Ministry of Defence (MoD), GoI, may affect RCPL’s operations.

Subdued profitability levels with exposure to adverse raw material price fluctuations and intense competition – The operating margins of the company were subdued at ~2.5% during FY2025 (marginally improving from 1.8% during FY2024). RCPL faces intense competition from several contractors in the industry. Its margins are also susceptible to adverse fluctuations in input prices, as the majority of its contracts are short term in nature and, therefore, do not have a provision for a pass-through clause. Given this position, any adverse movement in input prices will have a direct impact on the margins, as reflected in the subdued margin levels.

Stretched liquidity position – The company’s liquidity position has been stretched, reflected in high utilisation of its fund-based bank limits in the recent past, with an average of 95% over the last 12 months. While there have been instances of over-utilisation of fund-based limits towards the last day of the month for a few months, the same has been corrected in the subsequent days, well within the 30-day timeline. Further, the company utilises sizable non-fund-based limits for its operations. Any significant delay in projects or receivables from clients would necessitate additional funding requirements, which could impact the company’s liquidity.

Liquidity position: Stretched

RCPL’s liquidity remains stretched due to low cash accruals and limited cushion in the fund-based working capital limits. The utilisation of fund-based OD limits remained high at an average of 95% in the past 12 months, ending March 31, 2025. Timely support from promoters through capital infusion/unsecured loans and/or sanction of enhanced working capital lines will be crucial to mitigate any cash flow mismatch.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company registers significant growth in its revenues and profitability, leading to an improvement in debt coverage indicators and liquidity, on a sustained basis.

Negative factors – Delay in execution of order book, affecting RCPL’s scale and profitability, leading to a deterioration of credit metrics, along with continued pressure on liquidity could result in a negative rating action. Further, any significant stretch in the working capital cycle could also exert pressure on the ratings.

Analytical approach

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

About the company

RMS Construction Pvt. Ltd. (RCPL) is an ISO 9001:2015 certified construction company based in New Delhi. It provides services across various segments such as residential buildings, institutional projects, construction of different technical buildings, and basic infrastructure for reputed Government of India (GoI) organisations such as the DRDO and the Department of Atomic Energy (DAE). It undertakes civil and allied works such as roadworks, water supply, sewage treatment plants (STPs), external drainage services, fire-fighting works, etc. The promoters, having been involved in the same line of business since 1982, possess rich experience in the field. As an ISO-certified company, it has a team of dedicated professionals who carry out work across many cities in India.

Key financial indicators (audited)

RMS Construction Private Limited	FY2024	FY2025*
Operating income	219.5	220.0
PAT	1.6	3.0
OPBDIT/OI	1.8%	2.5%
PAT/OI	0.8%	1.4%
Total outside liabilities/Tangible net worth (times)	2.6	1.8
Total debt/OPBDIT (times)	2.8	1.6
Interest coverage (times)	2.0	2.2

Source: Company; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Provisional/Estimate

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 19, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund Based– Overdraft	Long-term	6.0	[ICRA]BB (Stable)	30-Apr-2024	[ICRA]BB (Stable)	-	-	28-Mar-2023	[ICRA]BB (Stable)
Non Fund Based Facilities	Long-term/ Short-term	69.0	[ICRA]BB (Stable)/ [ICRA]A4	30-Apr-2024	[ICRA]BB (Stable)/ [ICRA]A4	-	-	28-Mar-2023	[ICRA]BB (Stable)/ [ICRA]A4

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/ Short-term – Non fund-based facilities	Very simple
Long-term –Fund-based -Overdraft	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 - Overdraft	NA	NA	NA	6.0	[ICRA]BB (Stable)
NA	Non fund-based facilities	NA	NA	NA	69.0	[ICRA]BB (Stable)/ [ICRA]A4

Source: Company

[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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