March 18, 2026

Raghava Constructions (India) 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 – Cash credit	150.00	125.00	[ICRA]BBB (Stable); reaffirmed
Long-term/Short-term: Non-fund based – Bank guarantee	623.60	609.00	[ICRA]BBB (Stable)/[ICRA]A3+; reaffirmed
Long-term/Short-term – Non-fund based – Letter of credit	26.40	66.00	[ICRA]BBB (Stable)/[ICRA]A3+; reaffirmed
Total	**800.00**	**800.00**	

^Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation for Raghava Constructions (India) Private Limited (RCIPL) factors in its strong order book position at Rs. 8,027.4 crore as on November 30, 2025, which translates to OB/OI of 5.8 times of its revenues in FY2025, providing healthy medium-term revenue visibility. The operating income (OI) witnessed a healthy growth of 14% to Rs. 1,601 crore in FY2025 from Rs. 1,401 crore in FY2024 and further increased to Rs. 1,301 crore in 9M FY2026. It is expected to rise to around Rs. 1,800 crore in FY2026, supported by a strong order book (OB) position. The ratings favourably consider that 50.9% of the order book are projects aided by the Central Government, 21.5% are funded by the Government of Telangana and 18% are funded both by Central Government and Government of Telangana, among others. The coverage metrics remained healthy at 7.90 times in FY2025 and is likely to remain comfortable going forward. The ratings also note RCIPL's strong operational track record of more than two decades in executing irrigation, roads and water supply projects in Telangana and Andhra Pradesh.

The ratings are, however, constrained by the high geographical concentration risk with top two states accounting for 95.4% of the order book (Telangana and Andhra Pradesh) and high segment concentration risk with 92.2% of orders from electrical, water supply and irrigation segments. Further, RCIPL is exposed to execution risk as 41.3% of the order book is in the nascent stages of execution (<10% executed as on November 30, 2025). However, ICRA notes that few of these orders were awarded recently and hence the progress is relatively low. Moreover, majority of the working capital requirements are funded through cash credit facility, suppliers, sub-contractors and other payables resulting in a leveraged capital structure with TOL/TNW of 1.9 times as on December 31, 2025. The ratings are constrained by high group investments of Rs. 141.9 crore as on December 31, 2025, which stood at around 22% of RCIPL's net worth of Rs. 628.9 crore, thus constraining its financial flexibility. RCIPL has won a water supply HAM project in a JV with BVSR Constructions Private Limited and SSG Infratech Private Limited , which entails an equity commitment of Rs. 42.3 crore for its share for the next two years. Going forward, any significant increase in developmental projects resulting in higher-than-expected equity commitment, which adversely affects its liquidity position, will remain a key monitorable.

The ratings factor in the inherent cyclicality in the construction industry and intense competition in the tender-based contract awarding system, resulting in volatility in new order inflows, revenues and pressure on margins. Further, it has sizeable contingent liabilities in the form of bank guarantees and letter of credit (Rs. 450.5 crore as on December 31, 2025), mainly towards performance guarantee, mobilisation advance, retention money and material purchase. Nonetheless, ICRA draws comfort from its proven execution track record and absence of any bank guarantee invocation in the past. The ratings consider the corporate guarantee given to Raghava Lifesciences Private Limited, which is promoted by RCIPL's shareholders and is into manufacturing active pharmaceutical ingredient (API).

The Stable outlook on the long-term rating reflects ICRA's opinion that RCIPL will benefit from its strong order book position, and satisfactory execution track record, which is expected to support the revenue and credit profile commensurate to the rating level.

Key rating drivers and their description

Credit strengths

Strong order book position – RCIPL has a strong OB of Rs. 8,027.4 crore as on November 30, 2025, which translates to OB/OI of 5.8 times of its revenues in FY2025, providing healthy medium-term revenue visibility. It has received fresh orders of around Rs. 1,760 crore in 8M FY2026. The addition of new orders is likely to support the order book position. The share of Central Government funded projects stands at around 51% as on November 30, 2025. The share of revenues from these projects is likely to remain high in the medium term. Consequently, the cash conversion cycle is expected to remain favourable amid timely receipt of payments from the Central Government agencies.

Healthy revenue growth expected to sustain in medium term – The company's OI witnessed a healthy growth of 14% to Rs. 1,601 crore in FY2025 from Rs. 1,401 crore in FY2024 and is further expected to increase to around Rs. 1,800 crore in FY2026, supported by strong order book position and healthy execution ability. The operating margins remained adequate at 9.8% in FY2025, albeit lower compared to 10.9% in FY2024 owing to higher operating costs, and the same is projected to sustain at around 9.5%-10% in the medium term. The interest coverage ratio remained healthy at 7.90 times in FY2025 and is likely to remain comfortable going forward.

Established operational track record in construction industry – RCIPL has a strong operational track record of more than two decades in execution of projects in areas of irrigation, roads and water supply in Telangana and Andhra Pradesh. Although more than 91% of the projects are from the irrigation, water supply and electrical work segments, RCIPL's track record in executing these orders mitigates the risk to an extent.

Credit challenges

Concentrated order book – The geographical concentration risk is high with top two states (Andhra Pradesh and Telangana) accounting for 95.4% of the order book as on November 30, 2025. It faces high project concentration risk with the top five orders constituting 65.5% and high segment concentration risk with 92.2% of the order book from electrical, water supply and irrigation segments. Around 41.3% of the order book is in the nascent stages of execution (less than 10% of execution) resulting in high execution risk. However, ICRA notes that few of these orders were awarded recently and hence the progress is relatively low. ICRA also notes that its proven execution track record of executing these projects and established relationships with clients provide comfort.

Leveraged capital structure and investments in Group companies – The company's leverage remains high with TOL/TNW at 2.3 times and 1.9 times as on March 31, 2025 and December 31, 2025 respectively, owing to high trade creditors, payable to sub-contractors and other payables. It has high group investments of Rs. 141.9 crore as on December 31, 2025, which stood at around 22% of RCIPL's net worth of Rs. 628.9 crore, thus constraining its financial flexibility. Further, RCIPL has provided a corporate guarantee for the term loan availed by one of its promoters owned entity – Raghava Lifesciences Private Limited. Any material incremental investments or advances to Group entities adversely impacting its liquidity position and financial flexibility will remain a key monitorable.

Stiff competition in construction industry and sizeable non-fund based exposure – RCIPL is exposed to the inherent cyclicality in the construction industry and intense competition in the tender-based contract award system, resulting in volatility in new order inflows, revenues and pressure on margins. Further, it has sizeable contingent liabilities in the form of bank guarantees and letter of credit (Rs. 450.5 crore as on December 31, 2025), mainly towards performance guarantee, mobilisation advance, retention money and material purchase. Nonetheless, ICRA draws comfort from its execution track record and absence of any bank guarantee invocations in the past.

Liquidity position: Adequate

RCIPL's liquidity position is adequate with cash balances of Rs. 165 crore as on December 31, 2025 and sufficient cushion in fund-based limits. The average utilisation of fund-based limits for the 12-month period ending December 2025 stood moderate at 50%. It has debt obligations of around Rs. 30 crore and capex plans of Rs. 25.0 crore for FY2026, which can be comfortably met through its cash flow from operations.

Rating sensitivities

Positive factors – ICRA may upgrade RCIPL's ratings in case of an improvement in its business risk profile through diversification of order book, while maintaining its profitability margins, along with improvement in liquidity position. A specific credit metric for a rating upgrade is TOL/TNW declining to less than 1.5 times on a sustained basis.

Negative factors – Pressure on RCIPL's ratings could arise if there are delays in execution of projects, and/or stretch in the working capital cycle and/or any increase in Group investments or advances adversely impacting the liquidity position. A specific credit metric for a rating downgrade is TOL/TNW increasing to above 2.0 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	RCIPL has provided corporate guarantee to Raghava Lifesciences Private Limited and is considered in ICRA's assessment.

About the company

Raghava Constructions commenced operations in Khammam, Telangana, in 1991 as a sole proprietary concern. It was later reconstituted as a partnership firm in 2003 and as private limited company in 2019. It is managed by Mr. Ponguleti Prasad Reddy and is RCIPL's Managing Director. The company is a registered special class-1 contractor with Road and Building (R&B) department and Irrigation and CAD department in Telangana and Andhra Pradesh. It predominately executes irrigation, road, electrical and water supply projects.

Key financial indicators (Audited)

RCIPL	FY2024	FY2025
Operating income (OI)	1,401.3	1,601.2
PAT	74.1	96.4
OPBDIT/OI	10.9%	9.8%
PAT/OI	5.3%	6.0%
Total outside liabilities/Tangible net worth (times)	1.7	2.3
Total debt/OPBDIT (times)	0.7	1.1
Interest coverage (times)	4.9	7.9

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

Instrument	Current year (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Mar 18, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Cash credit	Long-term	125.00	[ICRA]BBB (Stable)	Dec 24, 2024	[ICRA]BBB (Stable)	Jun 16, 2023	[ICRA]BBB- (Negative)	May 31, 2022	[ICRA]BBB (Stable)
				Aug 27, 2024	[ICRA]BBB- (Stable)	-	-	-	-
Bank guarantee	Long-term/ Short-term	609.00	[ICRA]BBB (Stable)/ [ICRA]A3+	Dec 24, 2024	[ICRA]BBB (Stable)/ [ICRA]A3+	Jun 16, 2023	[ICRA]BBB- (Negative)/ [ICRA]A3	May 31, 2022	[ICRA]BBB (Stable)/ [ICRA]A3+
				Aug 27, 2024	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-	-	-
Letter of credit	Long-term/ Short-term	66.00	[ICRA]BBB (Stable)/ [ICRA]A3+	Dec 24, 2024	[ICRA]BBB (Stable)/ [ICRA]A3+	Jun 16, 2023	[ICRA]BBB- (Negative)/ [ICRA]A3	May 31, 2022	[ICRA]BBB (Stable)/ [ICRA]A3+
				Aug 27, 2024	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-	-	-
Proposed fund-based facilities	Long-term	-	-	-	-	Jun 16, 2023	[ICRA] BBB- (Negative)	May 31, 2022	[ICRA]BBB (Stable)
Proposed – Non-fund based facilities	Long-term/ Short-term	-	-	Aug 27, 2024	[ICRA]BBB- (Stable)/ [ICRA]A3	Jun 16, 2023	[ICRA]BBB- (Negative)/ [ICRA]A3	May 31, 2022	[ICRA]BBB (Stable)/ [ICRA]A3+
Unallocated limits	Long-term/ Short-term	-	-	Aug 27, 2024	[ICRA]BBB- (Stable)/ [ICRA]A3	Jun 16, 2023	[ICRA]BBB- (Negative)/ [ICRA]A3	May 31, 2022	[ICRA]BBB (Stable)/ [ICRA]A3+

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	Simple
Long-term/Short-term – Non-fund based – Letter of credit	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	**Cash credit**	NA	NA	NA	125.00	[ICRA]BBB (Stable)
NA	**Bank guarantee**	NA	NA	NA	609.00	[ICRA]BBB (Stable)/[ICRA]A3+
NA	**Letter of credit**	NA	NA	NA	66.00	[ICRA]BBB (Stable)/[ICRA]A3+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – The company provided corporate guarantee for the debt of Raghava Lifesciences Private Limited, which has been considered for RCIPL's rating assessment.

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