

**RPP Infra Projects Limited**

**Brickwork Ratings upgrades/assigns the ratings for the Bank Loan Facilities of Rs.364.57 Crores of RPP Infra Projects Ltd ('RPPIPL' or the 'Company')**

**Particulars**

Facility**	Amount (Rs Crs)		Tenure	Ratings#	
	Previous	Present		Previous (01 Dec 2020)##	Present
<b>Fund Based</b>					
Cash Credit	64.50	<b>53.00</b>	Long Term	BWR BBB-/Stable Upgrade	<b>BWR BBB/Stable Upgrade</b>
CoVid Loans	-	<b>10.07</b>		-	<b>BWR BBB/Stable Assignment</b>
<b>Non Fund Based</b>					
Bank Guarantee	278.00	<b>301.50</b>	Short Term	BWR A3 Upgrade	<b>BWR A3+ Upgrade</b>
Letter of Credit	(40.00)	<b>(40.00)</b>			
<b>Total</b>	342.50	<b>364.57</b>	<b>(Rupees Three Hundred And Sixty Four Crores and Fifty Seven Lakhs Only)</b>		

\*\* Annexure I provides details of the credit facilities

#Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings;

## Rating Advisory issued on 06 Dec 2021.

**Rating Action/Outlook**

The upgrade of the ratings of the bank loan facilities of the company takes into account the improved year to date business profile and stable financial risk profile of the company despite the subdued performance in FY21. In continuation of its recovery, the company's performance has improved significantly during H1 FY 22 wherein the topline improved to Rs.281.76 Crores as against Rs.162.03 Crores during H1 FY 21. The rating action also factors the improvement in the promoter share pledge position from ~62% as on 31 March 2020 to 25.37% as on 31 Dec 2021, proposed fresh equity infusion in FY22 and significant improvement in the unexecuted order book position at ~Rs.3062 Crs as on 30 Sep 2021 as against Rs.1800 cr during the corresponding period last year.

The ratings continue to be supported by the long operational track record and extensive experience of the promoters, government clientele, healthy order book with medium to long term revenue visibility and moderate financial risk profile. However, the ratings remain constrained by the working capital intensive nature of operations marked by elongated receivable days, segment concentration risk with infrastructure segment contributing to ~63% of the revenue for FY 21, geographical concentration risks, susceptibility to performance of end user industries. The ratings have also factored the continued uncertain business environment, impact on the

supply chain and also the performance of end user industries due to Covid-19 and its subsequent variants

BWR notes that the company had availed relief under the COVID-19 moratorium package during Mar'20 - Aug'20 involving sanction of emergency credit lines. The company has been regular in debt obligation payments in the post-moratorium period, as confirmed by the lenders. BWR also notes the company has not availed for one time restructuring (OTR) of loans under RBI Resolution Framework for Covid-19 related Stress.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The outlook may be revised to Positive if the company records significantly better-than-expected growth in revenues along with improvement in profitability levels and improved realization of debtors resulting in better working capital management and improved liquidity profile. The outlook may be revised to Negative if the company reports significantly lower than expected performance, resulting in lower than estimated coverage indicators and a weaker liquidity position. Further, any further debt-funded expenditure resulting in deterioration in capital structure and debt coverage indicators may exert a downward pressure on the ratings.

### **Key Rating drivers**

#### **Credit Strengths:-**

- **Long operational track record and experienced promoters:**

The Company and the promoters have a long track record of around 3 decades which has helped in understanding the business cycles, establishing relationships with suppliers and customers and obtaining repeat orders.

- **Government clientele:**

Most of the clients are central and state government agencies viz., BHEL, Power Grid Corporation, Tamilnadu PWD, Karnataka Police Housing Corporation, Tamil Nadu Urban Habitat Development Board (Formerly Tamil Nadu Slum Clearance Board) etc. The Company has been associated with such Government bodies for a long time and successful execution of the projects has also helped it in getting repeat orders. Due to the healthy client profile, the company has low counterparty credit risk, though at times there can be delays in realizations of some bills.

- **Healthy order book with medium to long term revenue visibility:**

The Company has orders on hand to the extent of ~Rs. 3062 Crs related to the projects under execution, leading to revenue visibility for the next 3 years. The company has orders worth ~ Rs.1100 Crs which are to be executed during FY22. The company continues its focus on short tenure projects which ensures revenue visibility and avoids any delays associated with long tenure projects. Going forward, securing new projects and timely completion shall remain a key rating sensitivities.

- **Moderate financial risk profile:**

The company achieved a Total Operating Income, EBITDA and PAT of Rs 477.92 Crores, Rs.36.22 Crores and Rs.15.53 Crores in FY21. The TNW has improved from Rs.233.53 Crores as on 31 March 2020 to Rs.265.41 Crores on account of retention of profits and infusion of funds. The company's gearing remained stable at ~ 0.46 times as on 31 March 2020 and 31 March 2021. Debt Protection Metrics have remained moderate as

indicated by moderate ISCR and adequate DSCR of 1.91 times and 1.29 times as on 31 Mar 2021 as against 2.45 times and 1.09 times as on 31 Mar 20 respectively. On a provisional basis, the company's H1FY22 performance has shown improvement at Rs.281.76 Crores of revenue with EBITDA of Rs.21.39 Crores and PAT of Rs.10.59 Crores. The ability of the company to achieve the projected profitability levels and the timely infusion of funds by way of equity as envisaged would be a key monitorable.

### **Credit Constraints:-**

- **Competitive Industry:**

Although the Company has a long track record of over 3 decades, it is exposed to competition and is susceptible to risks inherent in tender based business. Since the entire operations are tender based, the business depends on the ability to bid for tenders successfully. Also, the majority of orders are from Government agencies, resulting in high dependence on timely clearances for tenders and payments. Revenue and profitability are expected to remain susceptible to risks inherent in tender based operations and competitive landscape.

- **Project implementation risk of ongoing projects:**

The ratings are sensitive to project execution risk of the pending order book, owing to the uncertainties in the construction industry. BWR notes that the company is primarily focusing on the short tenured projects of around 3 years, nonetheless, the operations are exposed to the associated risks.

- **Raw material price volatility:**

Operations are vulnerable to price variations in key raw materials, however, the risk is largely mitigated in case of contracts that include an escalation clause. Tender based operations limit pricing flexibility in an intensely competitive industry which in turn adversely impacts the profitability.

- **Order Book concentration:**

The ratings are sensitive to geographic concentration as the majority of projects executed in the past and the current order book are concentrated in Tamil Nadu which constitute ~ 76% of the pending order book. Any political uncertainty or other adverse scenario in the state could adversely affect the construction industry having a direct impact on the company's timely execution of projects, project realizations and revenues and margins. The Order book is also further concentrated on the infrastructure segment as ~70% of the unexecuted order book pertains to the segment, performance dependent on the progress in these projects. The company is also exposed to project risk concentration as top three customers accounted for ~85% of the sales during FY 21. However BWR notes that the concentration has reduced to ~40% during H1 FY 22 on account of addition of new projects.

- **Working capital intensity of operations:**

The company has an elongated working capital cycle which further creates pressure on the liquidity position. The company's receivables days has been on an increasing trend YoY although considering that the company mostly deals with government entities, the counterparty risk is less. The company has also been able to manage the elongated working capital cycle by way of higher payables period. The liquidity position of the company is

susceptible to the timely realization of the pending receivables and timely enhancement of working capital facilities.

### **Analytical Approach**

RPP Infra Projects Ltd has 5 subsidiaries, 1 step down subsidiary, 8 joint ventures and 1 associate company. The operations of the other entities are not meaningful in comparison to RPP Infra Projects Ltd. BWR has adopted a Standalone approach while arriving at its ratings and applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

### **Rating Sensitivities**

The ability of the company to significantly increase the scale of operations while improving profitability and diversifying the concentration risks, ensuring timely completion of orders on hand and securing fresh orders, maintaining steady cash inflows, efficiently managing its debtors thereby its working capital requirements and strengthen its overall credit profile would be the key rating sensitivities. The company has an outstanding contingent liabilities amounting to ~Rs.381.45 Crs comprising Letters of Credit/ Bank Guarantees /disputed claims/disputed income tax liabilities as on 31 March 2021. Any crystallization of the above contingent liabilities or prolonged recovery of receivables and the impact of the same on the financial risk profile of the company would be the key rating sensitivity factors.

### **Positive:**

- Substantial growth in revenue and profitability, strengthening the financial risk profile
- Substantial improvement in the order book and geographical, sectoral and client wise diversification of operations
- Prudent working capital management

### **Negative:**

- Deterioration in scale of operations, decline in order accretion, decline in EBITDA margins due to industry or company-specific factors, leading to a significant deterioration in the credit metrics and liquidity, all on a sustained basis.
- Material impact on financial profile due to sustained stretch in its receivables position especially with respect to debtors more than 6 months, reduction in the order book position, debt funded capital expansion and crystallization of contingent liabilities.
- Specific credit metrics that may result in a downward rating action include (1) ISCR declining to below 2 times and DSCR less than 1.25 times on a sustained basis (2) Gearing above unity or EBITDA below 7% on a sustained basis.

### **Liquidity - Adequate:**

The company's liquidity is adequate as reflected in sufficient EBITDA of Rs.36.22 crs for FY21 to cover the interest and finance charges of Rs. 18.95 Crs in FY21. The company's primary reliance is on the working capital facilities with average utilizations continuing to be ~90-95%. Current ratio remained moderate at 1.96 times as on 31 Mar 2021. The company's cash and cash equivalents position was ~Rs.107 Crs as on 31 March 2021 with unencumbered cash and cash equivalents of Rs.27 Crs. The net cash accrual of ~Rs.20.85 crs in FY21 was sufficient to meet the debt obligation of ~Rs 12.61 crs in FY21. The net cash accruals of Rs. 32.64 Crores and Rs.43.30 Crores for FY 22 and FY 23 would be sufficient to cover the debt obligations of ~Rs.11.70 Crs and ~ Rs.13 Crs for FY 22 and FY 23 respectively. The operations are expected to remain working capital intensive and timely enhancement of working capital facilities, infusion

of equity as envisaged, support of the promoters through unsecured loans shall be critical to maintain the adequate liquidity position.

**About the Company:**

RPP Infra Projects Limited ('RPPIPL' or 'the company') is a BSE/NSE listed construction company established in 1988 as R.P.P Builders and later reconstituted as a limited company in 1995. It has its registered office at Erode, Tamil- Nadu. RPPIPL operates in the Power, Irrigation and Water supply, Industrial structure, Roads and Buildings segments. The company's focus is on small government projects as short tenure projects providing adequate revenue visibility. Majority of projects are in the states of Tamil Nadu, Maharashtra, Karnataka, Andhra Pradesh, and the Union Territory of Andaman Nicobar Islands. RPPIPL is a family driven business promoted by Mr P. Arulsundaram (Chairman & MD) and his wife Mrs. A Nithya (Wholetime Director & CFO).

**Key Financial Indicators (Standalone):**

Particulars		31 Mar 2020	31 March 2021
		<b>Audited</b>	<b>Audited</b>
Net Revenue	Rs. Cr	575.86	477.92
EBIDTA	Rs. Cr	55.46	36.22
Profit After Tax	Rs. Cr	19.30	15.53
Tangible Net Worth	Rs. Cr	233.53	265.41
Total Debt : Tangible Net Worth	Times	0.46	0.46
Current Ratio	Times	1.76	1.96

**Key Financial Indicators (Consolidated):**

Particulars		31 Mar 2020	31 March 2021
		<b>Audited</b>	<b>Audited</b>
Net Revenue	Rs. Cr	600.19	513.13
EBIDTA	Rs. Cr	56.24	36.17
Profit After Tax	Rs. Cr	18.16	15.50
Tangible Net Worth	Rs. Cr	258.81	283.75
Total Debt : Tangible Net Worth	Times	0.37	0.40
Current Ratio	Times	1.82	2.01

**Key Covenants of the facility rated:** The terms of sanction include standard covenants normally stipulated for such facilities.

**Status of non-cooperation with previous CRA -** Infomercials vide its rationale dated December 22, 2021 has migrated the ratings to the ISSUER NOT COOPERATING\* category due to non availability of information required for carrying out the surveillance.

\* Issuer Not Cooperating; based on best available information

### Rating History for the last three years [including withdrawal and suspended]

Facilities	Current Rating (2022)			2022 (History)		2021#		2020		2019	
	Type	Tenure	Amount	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based	LT	53.00	BWR BBB/ Stable (Upgrade)	NA	NA	NA	NA	01Dec 2020	BWR BBB-/ Stable (Upgrade)	26 Nov 2019##	BWR BB+/Stable (Downgrade)
Fund Based	LT	10.07	BWR BBB/ Stable (Assignment)	NA	NA	NA	NA	NA	NA	22 Jan 2019#	BWR BBB/ Issuer Not Cooperating*
Non Fund Based	ST	301.50	BWR A3+ (Upgrade)	NA	NA	NA	NA	01Dec 2020	BWR A3 (Upgrade)	26Nov 2019##	BWR A4+ (Downgrade)
	ST	(40.00)		NA	NA	NA	NA	NA		22 Jan 2019#	BWR BBB/ Issuer Not Cooperating*
<b>Grand Total</b>		<b>364.57</b>	<b>(Rupees Three Hundred and Sixty Four Crores and Fifty Seven Lakhs Only)</b>								

\*Issuer Not Cooperating; based on best available information

# Rating Advisory issued on 06 Dec 2021.

**Note:** BWR BBB-/Stable/A3 ratings were initially assigned for bank loan facilities worth Rs. 140.00 cr on 05 Nov 2014; Rating amount was Rs. 150.00 cr was reaffirmed on 22 Jan 2016; Rating amount of Rs. 202.84 cr was upgraded to BWR BBB/Stable/ A3 on 12 Jul 2017; # Rating amount of Rs.202.84 crs; ## Rating amount of Rs.265.22 crs.

### Complexity Levels of the Instruments: Simple

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

<a href="#">General Criteria</a>	<a href="#">Engineering Procurement and Construction Companies</a>
<a href="#">Approach to Financial Ratios</a>	<a href="#">Short Term Debt</a>

Analytical Contacts	
Vineetha Ann Varughese Senior Rating Analyst <a href="mailto:vineetha.v@brickworkratings.com">vineetha.v@brickworkratings.com</a>	Saakshi Kanwar Senior Manager Ratings <a href="mailto:saakshi.k@brickworkratings.com">saakshi.k@brickworkratings.com</a>
1860-425-2742	I <a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

**RPP Infra Projects Ltd**  
**Annexure I: Bank Loan Facilities**

Sl No.	Name of the bank	Facility	Long Term (Rs Crs)	Short Term (Rs Crs)	Total (Rs Crs)
1	IOB	Cash Credit	35.00	-	35.00
		CoVid Loan GECL	6.50	-	6.50
		Bank Guarantee	-	185.00	185.00
		LC		(35.00)	(35.00)
2.	BOI	Cash Credit	8.00	-	8.00
		CoVid Loan WCDL CESS	1.98	-	1.98
		CoVid Loan GECL	1.59	-	1.59
		Bank Guarantee	-	22.00	22.00
		LC	-	(5.00)	(5.00)
3.	Exim Bank	Bank Guarantee	-	19.50	19.50
4.	Indian Bank	Cash Credit	7.00	-	7.00
		Bank Guarantee	-	33.00	33.00
5.	Canara Bank	Cash Credit	3.00	-	3.00
		Bank Guarantee	-	42.00	42.00
<b>Total</b>			<b>63.07</b>	<b>301.50</b>	<b>364.57</b>
<b>(Rupees Three Hundred and Sixty Four Crores and Fifty Seven Lakhs Only)</b>					

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