

Press Release
M R G R CONSTRUCTIONS
September 30, 2025
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.50	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	76.50	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) and the short-term rating of ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs. 100.00 Cr. bank facilities of M R G R Constructions. The outlook is ‘**Stable**’.

Rationale for rating reaffirmation

The reaffirmation is primarily driven by the firm’s consistent revenue growth albeit decline in profitability and improved financial risk profile. The growth has been supported by resumed execution of projects and fresh contract inflows, further the moderate order book position provides revenue visibility for the near to medium term. The ratings also factor in the firm’s established operational track record and experienced management in civil and irrigation projects, along with its recent diversification into road construction. The rating remains constrained by the working capital-intensive nature of operations, risk of capital withdrawal inherent in the partnership firm and highly competitive industry with a tender-based nature of operations.

About the Company

MRGR Constructions (MRGR) is a registered partnership firm established in 2011, having its registered office at Kadapa, Andhra Pradesh, and administrative office at Kukatpally, Hyderabad. The firm is engaged in the EPC and involved in the Irrigation, Canal, Civil, Electrical projects in the state Telangana and Andhra Pradesh. Mr. Mutyala Rama Govinda Reddy is the founder of MRGR. The other partners of the firm are Mr. Muthyala Sreenivasula Reddy (Managing partner), Mr. Muthyala Chandra Mohan Reddy, Mrs. Muthyala Sowjanya, and Mrs. Muthyala Jyoshna Reddy.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of M R G R Constructions to arrive at the rating.

Key Rating Drivers

Strengths

Experienced Management and established track record of operations

MRGR has been in existence for more than a decade, with a speciality in the business of undertaking civil, irrigation, and canal works as a government contractor. Sri M. Sreenivasula Reddy is a managing partner in the firm and has more than 10 years of experience in the work of civil contracts. Mr. Chandra Mohan Reddy is a co-promoter and partner in MRGR Constructions, responsible for logistics support and material management. Along with this, the founder of the firm, Mr. Rama Govinda Reddy, acts as a partner and has more than three decades of experience. The firm has been able to establish a long-standing relationship with its suppliers and various government bodies. Acuité believes that the promoter's extensive industry experience and established relationship with its principal contractors and suppliers may aid the firm's business risk profile over the medium term.

Modest scale of operations albeit decline in profitability and comfortable order book

The firm's revenue increased to Rs. 271.59 Cr. in FY25 (prov.) from Rs. 153.07 Cr. in FY24 on account resumption of delayed irrigation projects and the execution of new contracts. However, the operating profit margin declined to 9.81 per cent in FY25 (Prov.) from 16.02 per cent in FY24, primarily due to higher input costs and increased administrative expenses associated with scaling operations. Similarly, the PAT margin moderated to 4.44 per cent in FY25 (Prov.) from 6.46 per cent in FY24. Further, the in FY25 (Prov.) PAT of Rs. 12.05 Cr. (PY: Rs. 9.89 Cr.) is supported by rental income of Rs. 3.42 Cr. (PY: Rs. 2.35 Cr.) earned out of owned commercial dwellings.

The firm continues to maintain a moderate order book position of Rs. 466.43 Cr. as of September 2025, providing stable revenue visibility over the near to medium term. Further till Q1FY26 the firm has booked revenue of Rs. 43.18 Cr. with EBITDA margin of ~16.37 per cent. Acuite believes, the operating performance of the firm would remain moderate on account of comfortable order book.

Moderate financial risk profile

The financial risk profile of the firm has improved in FY2025 (Prov.), marked by an increase in net worth and a reduction in overall debt. The tangible net worth of the firm stood at Rs. 69.70 Cr. as on March 31, 2025 (Prov.) as against Rs. 60.00 Cr. as on March 31, 2024, supported by retained earnings from improved profitability. The total debt of the firm declined to Rs. 43.05 Cr. as on March 31, 2025 (Prov.) from Rs. 65.18 Cr. in the previous year on the back of repayment of borrowings. The capital structure of the entity improved with gearing reducing to 0.62 times in FY25 (Prov.) from 1.09 times in FY24. The TOL/TNW also improved to 1.04 times in FY25 (Prov.) from 1.54 times in FY24. The debt protection metrics remained comfortable, the debt service coverage ratio (DSCR) stood at 1.58 times in FY25 (prov.) as compared to 1.59 times in FY24. Further, interest coverage ratio (ICR) improved and stood at 6.24 times in FY25 (prov.) as against 5.17 times in FY24. Acuite believes, the financial risk profile of the firm is expected to remain moderate; however, any significant withdrawal of capital by partners may impact the capital structure of the firm.

Weaknesses

Moderately intensive working capital operations

The working capital operations of the firm remain moderate in nature, though there has been an improvement in FY25 (Prov.). The gross current asset (GCA) days stood at 105 days in FY25 (Prov.) as against 196 days in FY24, indicating better working capital management and faster project execution. Inventory days declined and stood at 5 days in FY25 (Prov.) from 44 days in FY24. Debtor days improved to 21 days in FY25 (Prov.) from 59 days in FY24, reflecting better collection efficiency. Further the firm's average bank limit utilization stood high at ~97 per cent for period of six months ending August 25. Acuite believes, that working capital cycle of the firm may continue to remain intensive considering the nature of business.

Tender based nature of operations and Competitive and fragmented industry

Revenue and profitability in this line of business depend entirely on the ability to win tenders. Entities in this segment face intense competition, which requires them to bid aggressively to procure contracts. As a result, operating margins are restricted to moderate levels. Additionally, given the cyclicity inherent in the construction industry, maintaining profitability through operational efficiency becomes critical. Acuité believes that the firm's business and financial profiles may be adversely impacted due to the presence of stiff competition and the inherent risk associated with tender-based operations.

Risk of capital withdrawal

MRGR was established as a partnership firm in 2011. Any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure of the firm

Rating Sensitivities

- Improvement in revenue and profitability.
- Significant elongation in working capital cycle leading to stretch in liquidity.
- Changes in financial risk profile
- Timely execution of order book

Liquidity Position

Adequate

The liquidity position of the firm remains adequate. The firm generated net cash accruals of Rs. 19.90 Cr. in FY25 (Prov.) against a repayment obligation of Rs. 10.73 Cr., indicating sufficient coverage. In near term, the firm is expected to maintain NCA of ~Rs. 21-24 Cr. in FY26-FY27. The firm has a cash balance of Rs. 0.65 Cr. as on March 31, 2025 (Prov.). The current ratio stood at 1.26 times in FY25 (Prov.). Further the firm's average bank limit utilization stood high at ~97 per cent for period of six months ending August 25.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	271.59	153.07
PAT	Rs. Cr.	12.05	9.89
PAT Margin	(%)	4.44	6.46
Total Debt/Tangible Net Worth	Times	0.62	1.09
PBDIT/Interest	Times	6.24	5.17

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jul 2024	Bank Guarantee (BLR)	Short Term	35.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	25.00	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
04 Apr 2023	Proposed Bank Guarantee	Short Term	5.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	25.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A3 (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Proposed Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Karnataka Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	ACUITE A3 Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	31.50	Simple	ACUITE A3 Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.50	Simple	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3 Reaffirmed
Karnataka Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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