



SMERA RATINGS LIMITED

Ratilal Bhagwandas Construction Company Private Limited (RBCCPL)

*Rating
Rationale*

December 04, 2014

Facilities	Amount (Rs. Crore)	Rating
Bank Guarantee	17.00	SMERA A2 (Withdrawn)
Letter of Credit	1.00	SMERA A2 (Withdrawn)
Proposed Bank Guarantee	7.00	SMERA A2 (Withdrawn)
Bank Guarantee	17.00	SMERA BBB+/Stable (Assigned)
Letter of Credit	1.00	SMERA BBB+/Stable (Assigned)
Proposed Bank Guarantee	7.00	SMERA BBB+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) to the Rs.25.00 crore bank facilities of Ratilal Bhagwandas Construction Company Private Limited (RBCCPL). The outlook is '**Stable**'. SMERA has withdrawn the short-term rating of '**SMERA A2**' (read as **SMERA A two**) on the Rs.25.00 crore bank facilities of RBCCPL. The long-term rating is assigned at the request of the banker and accordingly the short-term rating is withdrawn. The rating is supported by the company's strong project execution capability, reputed clientele and healthy order book position. The rating is also supported by the company's strong financial risk profile, comfortable liquidity position, healthy profit margins and experienced management. However, the rating is constrained by the company's exposure to cyclicity inherent in the construction industry. The rating notes that the company has a liberal dividend pay-out policy.

RBCCPL, incorporated in 1991, is a Pune-based company engaged in undertaking civil construction contracts for private entities. RBCCPL has demonstrated strong project execution capability by completing projects worth ~Rs.600 crore over the last ten years. The company has established relations with various reputed customers, including Sandvik Asia Limited, Kalyani Group, Honeywell Turbotech India Private Limited and Mahindra Navistar Engines Private Limited. RBCCPL has a healthy order book position with pending orders worth ~Rs.43 crore. The company's strong financial risk profile is marked by the absence of long-term debt as on March 31, 2014. Moreover, RBCCPL's financial risk profile is supported by a comfortable liquidity position arising on account of sizeable mobilization advances received upfront at the time of commencement of projects and liberal credit period extended by suppliers. The company has cash balance of ~Rs.2.00 crore and fixed deposits of ~Rs. 8.00 crore as on March 31, 2014. RBCCPL's operating profit margin is healthy at 10.93 per cent in FY2013-14. The company benefits from its experienced management. Mr. Nitin Karia, managing director of RBCCPL, has around five decades of experience in the civil construction industry. Mr. Anand Karia, son of Mr. Nitin Karia, has around two decades of experience in the company's line of business.

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RBCCPL is exposed to the inherent cyclicity in the construction industry. The company follows a liberal dividend pay-out policy, which has resulted in low net worth of Rs.23.30 crore as on March 31, 2014.

About the company

RBCCPL, incorporated in 1991, is a Pune-based company promoted by Mr. Nitin Karia. RBCCPL undertakes civil construction contracts for private entities.

For FY2013–14, RBCCPL reported profit after tax (PAT) of Rs.6.71 crore on revenues of Rs.83.70 crore, as compared with PAT of Rs.5.05 crore on revenues of Rs.95.29 crore for FY2012–13. The company's net worth stood at Rs.23.30 crore as on March 31, 2014, as compared with Rs.19.20 crore a year earlier.

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