

Ratilal Bhagwandas Construction Company Private Limited: Reaffirmed

Name of the Instrument	Amount (Rs. Crore)	Rating/Outlook
Bank Guarantee	27.00 (enhanced from Rs. 22.00 crore)	SMERA BBB+/Stable (Reaffirmed)
Letter of Credit	1.00	SMERA BBB+/Stable (Reaffirmed)
Bank Guarantee(Proposed)	7.00 (enhanced from Rs. 2.00 crore)	SMERA BBB+/Stable(Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) on the abovementioned Rs.35.00 crore bank facilities of Ratilal Bhagwandas Construction Company Private Limited (RBCCPL). The outlook is '**Stable**'.

Update

RBCCPL reported revenue of Rs.78.10 crore in FY2014-15 (refers to financial year, April 01 to March 31), as compared with Rs.84.28 crore in FY2013-14. During FY2015-16, the company reported revenue of Rs.71.91 crore (provisional). The tangible net worth stood at Rs.27.28 crore (provisional) as on March 31, 2016, as compared with Rs.23.37 crore a year earlier. RBCCPL's debt-equity ratio was nil as on March 31, 2016. The interest coverage ratio stood at 12.95 times in FY2015-16.

The rating continues to draw support from the strong project execution capabilities, reputed clientele and healthy order book position. The rating is also supported by the strong financial risk profile, comfortable liquidity position, healthy profit margins and experienced management. However, the rating is constrained by the company's exposure to the cyclicity inherent in the construction industry and the liberal dividend pay-out policy.

RBCCPL has demonstrated strong project execution capabilities by completing projects worth ~Rs.750 crore over the last 10 years. The company has established relations with reputed customers including Sandvik Asia Limited, Kalyani Group, Honeywell Turbotech India Private Limited among others. The order book position has been healthy with pending orders worth ~Rs.100 crore. The company's strong financial risk profile is marked by absence of long-term debt as on March 31, 2016. Moreover, RBCCPL's financial risk profile is supported by comfortable liquidity position on account of mobilisation advances received upfront at the time of commencement of projects and liberal credit period extended by suppliers. RBCCPL's net profit margin has been healthy at 8.09 per cent in FY2014-15 and it benefits from an experienced management. Mr. Nitin Karia, the Managing Director has around five decades of experience in the civil construction industry joined by Mr. Anand Karia, his son who possesses experience of around two decades.

However, RBCCPL is exposed to the inherent cyclicity in the construction industry. The company follows a liberal dividend pay-out policy that has resulted in low net worth of Rs.23.37 crore as on March 31, 2015.

Rating Sensitivity Factors

- Scaling up of operations while maintaining profit margins

Outlook-Stable

SMERA believes that the outlook on RBCCPL's rated facilities will remain stable over the medium term on account of the long track record of operations, experienced management and moderate order book. The outlook may be revised to 'Positive' if the company registers sustained growth in revenue while maintaining profit margins. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the profit margins or significant deterioration in the capital structure on account of extensive external borrowings.

About the Company

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

For FY2014-15, RBCCPL reported profit after tax (PAT) of Rs.6.32 crore on revenues of Rs.78.10 crore, as compared with PAT of Rs.3.92 crore on revenues of Rs.71.91 crore for FY2013-14. The net worth stood at Rs.23.37 crore as on March 31, 2015 as compared with Rs.19.76 crore a year earlier.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating Assigned For		Rating Outlook
			Long Term	Short Term	
03 Sept, 2014	Bank Guarantee	17.00	-	SMERA A2 (Assigned)	-
	Letter of Credit	1.00	-	SMERA A2 (Assigned)	-
	Proposed Bank Guarantee	7.00	-	SMERA A2 (Assigned)	-
04 Dec, 2014	Bank Guarantee	17.00	SMERA BBB+ (Assigned)	SMERA A2 (Withdrawn)	Stable
	Letter of Credit	1.00	SMERA BBB+ (Assigned)	SMERA A2 (Withdrawn)	Stable
	Proposed Bank Guarantee	7.00	SMERA BBB+ (Assigned)	SMERA A2 (Withdrawn)	Stable
31 Jul, 2015	Bank Guarantee	17.00	SMERA BBB+ (Reaffirmed)	-	Stable
	Letter of Credit	1.00	SMERA BBB+ (Reaffirmed)	-	Stable
	Proposed Bank Guarantee	7.00	SMERA BBB+ (Reaffirmed)	-	Stable



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