

April 11, 2016

Facility	Amount (Rs. Crore)	Rating
Bank Guarantee	60.00	SMERA A2 (Assigned)

SMERA has assigned a short term rating of '**SMERA A2**' (**read as SMERA A two**) to the Rs.60.00 crore bank facility of Rajkamal Builders Infrastructure Private Limited (RBIPL).

The rating draws comfort from the promoter's extensive industry experience, established market presence, healthy order book position and presence of price escalation clause in the contracts undertaken by the company. The rating is also supported by the healthy financial risk profile with adequate liquidity. However, the rating remains constrained by the geographically concentrated revenue profile, exposure to intense competition in the construction industry and risks inherent in the tender-based businesses.

RBIPL is a Gujarat-based company engaged in the construction of bridges, roads, housing and sewage facilities for government and semi-government authorities. The company has successfully executed projects worth over Rs.800 crore over the last five years. RBIPL is a registered 'Class AA' civil contractor with Government of Gujarat and benefits from its long-standing relations with clients such as Municipal Corporations (Baroda, Surat, Rajkot and Ahmedabad), Roads and Buildings Department of Gujarat (R&B-Gujarat) and Gujarat Urban Development Company Limited (GUDCL) to name a few. The company has a strong order book position (as on December 31, 2015) reflected by pending orders of ~Rs. 750 crore which are to be executed over the next three years indicating near term revenue visibility. The contracts that the company has entered into have price escalation clause present that shields profit margins against volatility in raw material prices.

RBIPL's healthy financial risk profile is reflected in the low gearing (debt-to-equity ratio) of ~0.52 times as on March 31, 2015 coupled with healthy tangible net worth that stood at Rs. 87.07 crore as on March 31, 2015. The healthy coverage indicators are evidenced by the interest coverage ratio (ICR) of 4.1 times and debt service coverage ratio (DSCR) of 2.85 times in FY2014-15 (refers to financial year, April 1 to March 31).

The company has an established market presence in Gujarat. However, change in customer preferences, in the regulatory environment or entry of new players in the rapidly developing infrastructure industry could impact its business risk profile. RBIPL has geographically concentrated revenue profile with maximum revenue being generated from various Municipal Corporations (Baroda, Surat, Rajkot and Ahmedabad), R&B-Gujarat and GUDCL.

RBIPL has a successful tender execution track record. However, the business risk profile of the company would nonetheless remain vulnerable to risks related to tender-based business.

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### Rating Sensitivity Factors

- Timely completion of recently awarded railway and hydro-power project
- Sustenance of existing financial risk profile
- Efficient working capital management

### About the Company

RBIPL, established in 1979, was promoted by Mr. Mafatlal Patel who has around four decades of experience in the infrastructure industry. Set up as a partnership firm in the name of 'Rajkamal Builders', it was converted into private limited in 1998. The company is engaged in the construction of bridges, roads, housing and sewage facilities majorly for various Municipal Corporations (Baroda, Surat, Rajkot and Ahmedabad), R&B-Gujarat and GUDCL. Of late, it has also begun working for Northern Railways and Sardar Sarovar Narmada Nigam Limited.

For FY2014-15 (refers to financial year, April 1 to March 31), the company reported profit after tax (PAT) of Rs.8.44 crore on operating revenues of Rs.240.20 crore as compared with PAT of Rs.6.96 crore on operating revenues of Rs.222.38 crore in the previous year.

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