

Press Release

Rajkamal Builders Infrastructure Private Limited

21 August, 2017

Rating Downgraded



Total Bank Facilities Rated*	Rs.60.00 Cr
Short Term Rating	SMERA A3+ (Downgraded from SMERA A2)

**Refer Annexure for details*

Rating Rationale

SMERA has downgraded the short term rating on the Rs.60.00 crore non fund based bank facilities of Rajkamal Builders Infrastructure Private Limited (RBIPL) to '**SMERA A3+**' (read as **SMERA A three plus**) from 'SMERA A2' (read as SMERA A two).

The downgrade is in view of the lower than expected and continuous decline in revenues observed during the period under study.

RBIPL (the erstwhile Rajkamal Builders) was established in 1979 as a proprietorship concern by Mr. Mafatlal Patel and converted to a private limited company in 1998. The company is engaged in civil construction and undertakes construction of bridges, roads, houses and sewage facilities mainly for Municipal Corporations (Baroda, Surat, Rajkot and Ahmedabad). The company also caters to R&B-Gujarat and Gujarat Urban Development Company Limited, Northern Railways and Sardar Sarovar Narmada Nigam Limited.

List of Key Rating Drivers and their detailed description

Strengths:

Established track record of operations and experienced management: The company is led by the Chairman, Mr. Mafatlal Patel, a civil engineer who possesses around four decades of experience in the construction industry. RBIPL has long track record of operations.

Established relations with customers: Having been in business for over four decades, the company has developed significant industry insights and developed healthy relations with customers and suppliers. This has helped get repeat orders from municipal corporations of Gujarat i.e. Rajkot, Vadodara, Surat and Ahmedabad among others as also other government and semi government companies.

Healthy order book position: RBIPL has healthy unexecuted order book position of Rs. 389.26 crore which provides revenue visibility for the medium term.

Healthy financial risk profile: The financial risk profile is healthy marked by low gearing of 0.43 times as on 31 March, 2017 (Provisional) as against 0.44 times as on 31 March, 2016. The interest coverage ratio (ICR) remained moderate at 3.04 times for FY2017 (Provisional) as against 3.82 times for FY2016. The tangible net worth of the company is healthy at Rs. 101.42 crore as on 31

March, 2017 (Provisional) compared to Rs. 94.63 crore a year earlier. The net cash accruals of the company deteriorated to Rs. 11.40 crore in FY2016-17 (Provisional) from Rs. 12.27 crore in FY2015-16.

Weaknesses

Consistent decline in revenues: The revenues have shown a declining trend during the period under study. The revenue for FY2016-17 stood at Rs. 141.07 crore against Rs. 194.38 crore for FY2015-16 and Rs. 240.21 crore for FY2014-15 on account of fewer orders executed in these years.

Working capital intensive operations: The operations of RBIPL are working capital intensive marked by high gross current asset (GCA) of 197 days in FY2017 (Provisional) as against 147 days in FY2016. This is because of increase in inventory holding period to 79 days in FY2017 from 39 days in FY2016. The debtor days improved to 31 days in FY2017 from 56 days in FY2016 due to early realisation from debtors. The creditor days have gone up to 92 days in FY2017 from 27 days in FY2016.

Geographically concentrated revenue profile: Maximum revenue is generated from Gujarat State Municipal Corporation i.e. Rajkot, Vadodara, Surat and Ahmedabad majorly and other government and semi government bodies in Gujarat. As a result, the revenues are geographically concentrated in the state of Gujarat. Any change in the political or social environment or in future plans of the government would substantially impact the profitability of RBIPL, especially its market position.

Challenging business environment, increasing competition:

The company has been facing intense competition from various small and large players. Besides, the revenues are tender based. SMERA believes that the business environment for RBIPL would continue to remain challenging on account of increasing competition in the fragmented construction industry.

Analytical approach: Standalone business and financial risk profile of the company

Applicable Criteria

- Infrastructure Entities : <https://www.smera.in/criteria-infra.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

About the Rated Entity: Key financials

For FY2016-17 (Provisional), RBIPL reported profit after tax (PAT) of Rs. 6.79 crore on operating income of Rs.141.07 crore as compared to PAT of Rs.7.58 crore on operating income of Rs. 194.38 crore for FY2015-16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11 April, 2016	Bank Guarantee	Short Term	60.00	SMERA A2 (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Bank Guarantee	N.A	N.A	N.A	60.00	SMERA A3+ (Downgraded from SMERA A2)

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ABOUT SMERA

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