

Press Release

Ram Builders

August 21, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.10 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 12.10 crore bank facilities of Ram Builders. The outlook is '**Stable**'.

Ram Builders (RB), established in 1972 is a Mumbai-based partnership firm engaged in the construction of roads, bridges, laying of pipes and allied work. The firm is a Class I-A contractor with Public Works Department (PWD), Maharashtra and a Class AA contractor with Municipal Corporation of Greater Mumbai (MCGM).

Key Rating Drivers

Strengths

- **Established track record and experienced management**

RB has operational track record of more than four decades. The promoters, Mr. Jayantilal Varma, Mr. Paresh Jayantilal Varma, Mr. Ashok Purushottamdas Varma and others have around four decades of experience in the civil construction industry.

- **Moderate financial riskprofile**

The financial risk profile of the firm is moderate marked by net worth of Rs. 10.01 crore and gearing (debt to equity ratio) of 0.18 times as on 31 March, 2017 (Provisional). The Interest coverage ratio (ICR) stood at 1.76 times for FY2017 (Provisional) as against 1.75 times in FY2016. The net cash accruals to total debt stood at 0.21 times in FY2017.

- **Healthy order bookposition**

The firm has unexecuted order book of Rs. 66.97 crore which will be executed over a period of 24 months. The healthy order book position provides revenue visibility for the medium term.

Weaknesses

- **Small scale of operations with high dependence on tenders**

The scale of operations is small with operating income of Rs. 8.88 crore for FY2017 (Provisional) as against Rs. 10.73 crore for FY2016 despite the firm being in business for four decades. The firm exhibits an uneven trend in its operating income with high dependence on government tenders which also makes it vulnerable to order cyclicalities.

- **Moderate profitability**

The operating margin (EBIDTA) stood at 8.77 per cent in FY2017 (Provisional) as against 6.22 percent in FY2016 and 3.57 percent in FY2015. The PAT margins stood at 3.41 per cent in FY2017 (Provisional) as against 1.28 percent in FY2016 and 4.13 percent in FY2015. The uneven PAT

margins are on account of fluctuations in raw material prices.

• Working capital intensive operations

The operations are working capital intensive marked by gross current assets (GCA) of 495 days in FY2017 (Provisional) that deteriorated from 263 days in FY2016. This was on account of high debtor days which stood at 454 in FY2017 (Provisional) and 201 days in FY2016. Out of the total debtors of Rs. 11.13 crore, the outstanding as on 31 March, 2017 of Rs. 6.59 crore have been recovered as on date.

• Intense competition from established players

RB is exposed to intense competition from organised and unorganised players in the industry.

• Partnership constitution

RB, being a partnership firm is exposed to risk of capital withdrawal. The partner's capital stood at Rs. 7.65 crore in FY2017 (Provisional) as against Rs.7.05 crore in FY2016 and Rs.7.31 crore in FY2015.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm.

Outlook: Stable

SMERA believes that the outlook on RB's rated facilities will remain stable over the medium term on account of the promoter's extensive experience in the industry. The outlook may be revised to 'Positive' in case of strong growth in scale of operations while sustaining improvement in profit margins and achieving working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the scale of operations, profitability and capital structure.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), Ram Builders reported profit after tax (PAT) of Rs. 0.30 crore on operating income of Rs.8.88 crore compared to PAT of Rs. 0.14 crore on operating income of Rs.10.73 crore. The net worth stood at Rs.10.01 crore as on 31 March, 2017 (Provisional) as against Rs.8.23 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
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Overdraft	Not Applicable	Not Applicable	Not Applicable	3.60	SMERA B+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A4

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ABOUT SMERA

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