

Press Release

Ram Builders

November 14, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

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

The Mumbai-based Ram Builders (RB), established in 1972, is a 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) of Maharashtra and a Class AA contractor with Municipal Corporation of Greater Mumbai (MCGM).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Ram Builders to arrive at the rating.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

RB has operational track record of more than four decades. The Partners, Mr. Jayantilal Varma, Mr. Paresh Jayantilal Varma, Mr. Ashok Purushottamdas Varma and others have around four decades of experience in the civil construction industry. RB has executed projects for PWD and MCGM. All these departments being a government entity counter-party default risk remains minimal. Further, the firm has unexecuted order book of Rs.45.00 crore which will be executed over a period of 24 months.

- Moderate financial risk profile**

RB has a moderate financial risk profile marked by moderate net worth low gearing and moderate debt protection metrics. The net worth stood at Rs.7.31 crore as on March 31, 2018 as against Rs.7.57 crore as on March 31, 2017. The debt to equity of the firm stood at 0.24 times as on March 31, 2018 against 0.55 times as on March 31, 2017. The total debt of Rs.1.75 crore consists of unsecured loans from friends and relatives. Interest Coverage Ratio (ICR) stood at 2.01 times for FY2018 as against 1.78 times for FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.73 times in FY2018 as against 1.50 times in FY2017.

Weaknesses

- Small scale of operations due to tender based nature of business**

The scale of operations is small with operating income of Rs.16.29 crore for FY2018 as against Rs.8.95 crore for FY2017, 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 cyclicity.

- Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets (GCA) of 232 days in FY2018 that improved from 446 days in FY2017. This was on account of high debtor days which stood at 118 in FY2018 and 453 in FY2017. Out of the total debtors of Rs.5.43 crore, the outstanding as on 31 March, 2018 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 partners' capital stood at Rs.7.31 crore in FY2018 as against Rs.7.57 crore in FY2016 and Rs.7.05 crore in FY2015.

Outlook: Stable

Acuite believes that the outlook on RB's rated facilities will remain 'Stable' over the medium term on account of the promoters' 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.29	8.95	10.73
EBITDA	Rs. Cr.	0.65	0.78	0.67
PAT	Rs. Cr.	0.20	0.19	0.14
EBITDA Margin	(%)	4.01	8.71	6.22
PAT Margin	(%)	1.25	2.14	1.28
ROCE	(%)	6.50	8.65	14.91
Total Debt/Tangible Net Worth	Times	0.24	0.55	0.00
PBDIT/Interest	Times	2.01	1.78	1.75
Total Debt/PBDIT	Times	2.36	4.44	0.01
Gross Current Assets (Days)	Days	232	491	263

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Aug-2017	Secured Overdraft	Long Term	3.60	ACUITE B+ / Stable (Assigned)
	Secured Overdraft	Long Term	1.00	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	7.50	ACUITE A4

***Annexure – Details of instruments rated**

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

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Jyotsna Nebhnani Analyst - Rating Operations Tel: 022 49294074 jyotsna.nebhnani@acuiteinratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.