

## Press Release

### Ram Builders

December 17, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 12.10 crore
<b>Long Term Rating</b>	ACUITE B+/ Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* 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**) on the Rs. 12.10 crore bank facilities of RAM BUILDERS. 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 profiles of RB to arrive at this 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. The counter party risk remains low as these are Government bodies.

- **Moderate order book position**

RB has moderate order book position marked by current orders in hand of Rs. 39.57 crore from MCGM as on November 2019 to be executed by March 2021. For April to September 2019, the firm booked revenue of approximately ~Rs. 4.00 crore.

#### Weaknesses

- **Small scale of operations**

RB has a small scale of operations marked by operating income of Rs. 16.61 crore in FY2019 as against Rs. 16.29 crore in FY2018. This is mainly on account of the tender-based nature of business. The revenues of the firm have remained stagnant as it had low work in hand for FY2019. Acuite believes that the ability of the firm to scale up its operations will be a key monitorable. Being a civil contractor, the revenue of RB depends on the number of successful bids and the tenders released in the financial year.

- **Competitive and fragmented industry**

The civil construction sector is marked by the presence of several mid to big sized players. The firm faces intense competition from other players. Risk becomes more pronounced as tenders are based on the minimum amount of bidding of contracts. However, the risk is mitigated to an extent as the management has been operating in the industry for more than four decades.

- **Average financial risk profile**

RB has average financial risk profile with net worth of Rs. 6.24 crore as on 31 March, 2019 compared to Rs. 7.31 crore as on 31 March, 2018. The decline in net worth is on account of withdrawal of

capital by the firm. The gearing of the firm stood at 0.27 times as on 31 March, 2019 compared to 0.24 times as on 31 March, 2018. The interest coverage ratio (ICR) declined and stood average at 1.18 times for FY2019 as compared to 2.01 times for FY2018. This is due to decline in profitability of the firm.

Acuite believes that the firm will maintain an average financial risk profile over the medium term.

#### Rating Sensitivities

- Substantial improvement in scale of operation (~Rs. 30.00-40.00 crores), while improving profitability over the medium term will be key rating sensitivity.
- Withdrawal of capital and deterioration of the financial risk profile will be key monitorable.

#### Material Covenants

None

#### Liquidity Position: Adequate

RB's current ratio stood comfortable at 1.71 times as on 31 March, 2019. RB maintained unencumbered cash balances of Rs. 0.34 crores as on March 31, 2019. Average utilization of cash credit limits stands low at ~11.62 percent for the six month period ended October 2019. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate unutilized bank limits.

#### Outlook: Stable

Acuite believes that RB will maintain 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher than-expected growth in revenues and net cash accruals. 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	16.61	16.29
Profit After Tax (PAT)	Rs. Cr.	0.01	0.20
PAT Margin	(%)	0.06	1.25
Total Debt/Tangible Net Worth	Times	0.27	0.24
PBDIT/Interest	Times	1.18	2.01

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

Not applicable

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
14-Nov-2018	Overdraft	Long Term	3.60	ACUITE B+/ Stable (Reaffirmed)
	Overdraft	Long Term	1.00	ACUITE B+/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.50	ACUITE A4

				(Reaffirmed)
21-Aug-2017	Overdraft	Long Term	3.60	ACUITE B+/ Stable (Assigned)
	Overdraft	Long Term	1.00	ACUITE B+/ Stable (Assigned)
	Bank Guarantee	Short Term	7.50	ACUITE A4 (Assigned)

**\*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	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4 (Reaffirmed)

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**About Acuite Ratings & Research:**

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