

Press Release

Ram Builders

March 17, 2021

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its 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 (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

Acuité has considered the standalone business and financial risk profiles of RB to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

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.

Acuité believes that the firm will benefit from its established track record and experienced management.

- **Moderate order book position**

RB has moderate order book position marked by current orders to be executed worth ~Rs. 29.00 crore from MCGM as on December 2020 to be executed by March 2022. However, there is some risk of concentration as out of the total orders to be executed single order accounts for ~Rs. 19.00 crore.

Weaknesses

- **Decline in scale of operations**

RB has a small scale of operations marked by operating income of Rs. 11.72 crore in FY2020 (Prov.) as against Rs. 16.61 crore in FY2019. 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 FY2020. Being a civil contractor, the revenue of RB depends on the number of successful bids and the tenders released in the financial year.

Acuité believes that the ability of the firm to scale up its operations will be a key monitorable.

- **Below average financial risk profile**

The firm has below average financial risk marked by low net worth and below average coverage indicators. Its net worth stood at Rs. 4.98 crore as on March 31, 2020 (Prov.) against Rs. 6.24 crore as on March 31, 2019. As it is a partnership firm risk of further capital withdrawal remains. The total debt stood

at Rs. 3.97 crore as on March 31, 2020 (Prov.). Out of this Rs. 1.55 crore is from directors and promoters and Rs. 2.43 crore is working capital debt. Interest coverage ratio stood at 1.16 times in FY2020 (Prov.) against 1.18 times in FY2019 (Prov.). TOL/TNW stood at 1.33 times as on March 31, 2020 (Prov.) against 1.94 in the previous year. Debt to EBITDA has deteriorated to 7.75 times in FY2020 (Prov.) against 3.71 times in FY2019.

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

• 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.

Liquidity Position: Stretched

RB has generated cash accruals of Rs. 0.07 crore and Rs. 0.06 crore in FY2020 and FY2019 respectively against Rs. 0.08 crore for the same period. It is expected to be negative due to COVID impact in FY2021 and is expected to be in range of Rs. 0.17 crore to Rs. 0.19 crore in FY2022 and FY2023. The operations of the firm are working capital intensive and makes the company dependent of bank borrowings to fund its working capital requirement. The bank limit utilization for period ended November 2020 stood at ~50 percent. Acuite expects the liquidity profile of RB to remain stretched on account of elongated working capital cycle and dependency on bank borrowing to fund its working capital requirement.

Material Covenants

None

Rating Sensitivities

- Ability to improve scale of operations along while maintaining profitability
- Any further significant withdrawal of capital

Rating Outlook: Stable

Acuite believes that RB will maintain 'Stable' outlook in the medium term on account of its experienced management and modest order book position. 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	11.72	16.61
PAT	Rs. Cr.	0.04	0.01
PAT Margin	(%)	0.32	0.06
Total Debt/Tangible Net Worth	Times	0.80	0.27
PBDIT/Interest	Times	1.16	1.18

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-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore.)	Ratings/Outlook
17-Dec-2019	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)
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)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Parth Pandit Analyst - Rating Operations Tel: 022-49294032 parth.pandit@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuite Ratings & Research:

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