

Press Release

Ram Builders

July 15, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.12.10 Cr.
Long Term Rating	ACUITE B+ (Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating '**ACUITE B+** (read as **ACUITE B plus**) and the short term rating of '**ACUITE A4** (read as **ACUITE A four**) respectively on the Rs.12.10 crore bank facilities of Ram Builders.

The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and no objection certificate (NOC) received from the banker.

About the rated entity

Ram Builders (RB) is a Mumbai based partnership firm established in 1972 by Mr. Jayantilal Varma and family. The firm is engaged in construction of road, bridges, Pipe laying works and allied works etc. Ram Builders is registered as Class I-A contractor with Public Works Department (PWD) Maharashtra and as Class AA with Municipal Corporation of Greater Mumbai (MCGM). The partners are Mr. Jayantilal Varma, Paresh Jayantilal Varma, Ashok Purushottamdas Varma, Aunshul Janardan Varma, Mihir Paresh Varma and Vishwas Ashok Varma. The promoter of the firm has experience of around four decades in this line of business.

Analytical Approach

Acuité has considered the standalone view of the financial and business risk profile 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.

Weaknesses

Decline in sales and PBILDT levels

The firm reported total operating income of Rs.7.99 crore during FY21 against Rs.11.72 crore in FY20 due to its tender based business operations and lower execution of work. The total outstanding orders remained at Rs.29.0 crore as on July 09, 2021. Further, most of the construction companies have also been witnessing halt in execution of work due to COVID-19. In line with decline in operating revenue, the PBILDT level also declined from Rs.0.50 crore in FY20 to Rs.0.43 crore in FY21. The PAT, however, improved to Rs.0.08 crore in FY21 against Rs.0.04 crore in FY20 on an account of lower interest cost in FY21.

Working Capital Intensive operations

The Gross Current Assets stood high at 397 days in FY2021 as against 315 days in FY2020. Receivables stood high at 336 days in FY2021 against 190 days in FY2020. This further resulted in increase in working capital cycle of 338 days in FY2021 against 250 days in FY2020.

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 minimum amount of bidding of contracts. However, the risk is mitigated to an extent as management has been operating in industry for more than four decades

Liquidity Position: Adequate

Liquidity position remains at adequate level with net cash accruals of Rs.0.12 crore in FY21 against Rs.0.08 crore in FY20. The firm does not have any term loans; hence does not have any repayment obligation.

Rating Sensitivity – Not Applicable

Material Covenants – None

Outlook - Not Applicable

About the Rated Entity - Key Financials

	Unit	FY21(Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	7.99	11.72
PAT	Rs. Cr.	0.08	0.04
PAT Margin	(%)	1.00	0.32
Total Debt/Tangible Net Worth	Times	0.39	0.80
PBDIT/Interest	Times	1.41	1.20

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>

Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>

Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Mar-2021	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)
17-Dec-2019	Overdraft	Long Term	3.60	ACUITE B+/Stable (Reaffirmed)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
	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)

***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+ (Withdrawn)
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4 (Withdrawn)

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About Acuité Ratings & Research:

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