

## Press Release

R B K Constructions Private Limited

July 03, 2019



### Rating Downgraded

<b>Total Bank Facilities Rated*</b>	Rs. 25.56 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable (Downgraded)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has downgraded long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 25.56 crore bank facilities of R B K CONSTRUCTIONS PRIVATE LIMITED (RBK). The outlook is '**Stable**'.

The revision in rating reflects deterioration in operating income with stretched working capital management and average debt protection metrics.

R B K Constructions Private Limited was incorporated in the year 2011 by Mr. Ravindra Babanrao Kasar and Ms. Shubhangi Ravindra Kasar. The company is engaged in undertaking civil construction contracts such as industrial factory shed & structure development. The company is based out of Pune, Maharashtra and mainly deals in sub-contracting for Gannon Dunkerley & Co. Ltd.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced management**

The company is promoted by Mr. Ravindra Babanrao Kasar, Ms. Shubhangi Ravindra Kasar, Ms. Rohini Rajendra Sangale, Ms. Anjana S Bothra holds more than three decades of experience in the civil construction industry. The directors Mr. Ravindra Babanrao Kasar and Ms. Shubhangi Ravindra Kasar have diploma in civil engineering. RBK has reported operating income of Rs.29.29 crore (Provisional) for FY2019 as against Rs.9.91 crore in the previous year. RBK has unexecuted orders in hand of Rs.51.72 crore to be executed by March, 2020 which provides moderate revenue visibility over the medium term.

#### Weaknesses

- **Average financial risk profile**

RBK's financial risk profile is marked by low net worth, high gearing and average debt protection measures. The net worth increased to Rs.3.84 crore as on 31 March, 2018 as against Rs.3.24 crore in the previous year on account of accretion to reserves. The firm's gearing is estimated to be high at 5.69 times as on 31 March, 2018 as against 5.40 times in the previous year. The company has followed an aggressive financial policy in the past, as reflected by its peak gearing of around 5.69 times as on March 31, 2018. The total debt of Rs.21.86 crore consists of long term debt of Rs.8.88 crore, and Rs.12.98 crore of short term debt obligations. The moderate profitability levels have resulted in net cash accruals of Rs.1.68 crore during 2017-18, also the debt levels have remained high at around Rs.21.86 crore during the same period, leading to average debt protection measures. The interest coverage ratio stood at 1.73 times in FY18 as against 2.68 times in the previous year. NCA/TD ratio stood 0.08 times in FY18. Acuité believes that the financial risk profile will continue to remain average on account of moderate cash accruals and modest scale of operations.

• **Working capital intensive business operations**

The company continues to have working capital intensive nature of operations with Gross Current Asset of 1928 days for FY2018 compared to 811 days in the previous year. The inventory days stood at 3938 days as on 31 March, 2018, as against 967 days in the previous year.

**Liquidity Position:**

RBK has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of ~Rs.0.50 to Rs. 1.70 crore during the last three years through 2017 - 18, while its maturing debt obligations were in the range of ~Rs.1.10 to Rs. 1.20 crore over the same period. The cash accruals of the company are estimated to remain at around ~Rs.2.30 - Rs.3.95 crore during 2019-21. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 1928 in FY 2018. The company maintains unencumbered cash and bank balances of Rs.0.02 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.24 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual while its maturing debt obligations are estimated to be in the range of Rs.1.04 to Rs. 1.12 crore

**Outlook: Stable**

Acuité believes that the outlook on RBK's rated facilities will remain stable over the medium term on account of its promoter's extensive experience. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	9.91	11.15	4.42
EBITDA	Rs. Cr.	5.39	2.14	0.79
PAT	Rs. Cr.	0.61	0.92	0.42
EBITDA Margin	(%)	54.46	19.15	17.97
PAT Margin	(%)	6.12	8.29	9.49
ROCE	(%)	19.02	13.73	18.36
Total Debt/Tangible Net Worth	Times	5.69	5.40	1.44
PBDIT/Interest	Times	1.73	2.68	2.93
Total Debt/PBDIT	Times	3.99	7.99	3.45
Gross Current Assets (Days)	Days	1,928	811	433

**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
03-Jul-2018	Cash Credit	Long Term	10.00	ACUITE B+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.56	ACUITE A4 (Reaffirmed)
06-Sep-2017	Cash Credit	Long Term	4.50	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	3.56	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.56	ACUITE B/ Stable (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4 (Reaffirmed)

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### About Acuité Ratings & Research:

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