

Press Release

R M Infrastructure

16 September, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (**read as SMERA B minus**) on the Rs. 10.00 crore bank facilities of R M Infrastructure (RMI). The outlook is '**Stable**'.

RMI, established in 2009 by Mr. C. Dinesh undertakes civil construction contracts for state government entities. The firm is engaged in the construction of road, bridges, runways and buildings. RMI has operations in Tamil Nadu, Andhra Pradesh and Telangana.

Key Rating Drivers

Strengths

- **Experienced promoter**

The firm benefits from its experienced promoter, Mr. C. Dinesh who possesses experience of around eight years in the civil construction industry.

Weaknesses

- **Small scale of operations**

The scale of operations is small with operating income of Rs.12.63 crore for FY2017 (Provisional) against Rs.0.52 crore for FY2016. The firm reported significant growth in revenue in FY2017 (Provisional) as it bid for government contracts as against executing labour contracts (sub-contracts) in the previous year. However, the modest order book position stood at Rs. 50.00 crore as on 31st March, 2017 and same is expected to be completed over the next 24 months.

- **Weak financial riskprofile**

The financial risk profile is weak marked by networth of Rs. 1.76 crore (Provisional) as on 31 March 2017 as against Rs. 0.08 crore in the previous year. The gearing stood at 4.11 times (Provisional) as on 31 March, 2017 against 0.37 times in the previous year. However, the total debt of Rs.7.25 crore (Provisional) includes short term borrowings of Rs.4.50 crore and unsecured loan from related parties of Rs. 2.75 crore. The Net Cash Accruals to total debt stood at 0.04 times for FY2017. The total liabilities to tangible networth (TOL/TNW) stood at 6.14 times (Provisional) as on 31 March, 2017 as against 0.42 times in the previous year.

- **Working capital intensive operations**

The operations are working capital intensive evident from its high Gross current assets of 302 days as on 31 March, 2017 against 53 days in the previous year. This is on account of stretched inventory days of 111 and debtor days of 194 days for FY2017 (Provisional). Further, the working capital cycle stood at 291 days for FY2017 (Provisional) as against 29 days for FY2016.

- **Proprietorship constitution**

RMI's financial risk profile is susceptible to inherent risk of capital withdrawal associated with the proprietorship constitution of the firm.

- **Intense competition from large established players**

RMI is exposed to intense competition from organised and unorganized players operating in the civil construction industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm for arriving at the rating.

Outlook: Stable

SMERA believes that RMI will maintain a stable outlook over the medium term on account of its experienced promoter. The outlook may be revised to 'Positive' if the firm registers significant growth in revenues and profitability or improvement in capital structure. Conversely, the outlook may be revised to 'Negative' if the firm registers deterioration in its financials risk profile or liquidity profile due to higher than expected working capital requirement.

About the Rated Entity - Key Financials

For FY2015-17 (Provisional), RMI reported net profit of Rs. 0.26 crore on operating income of Rs. 12.63 crore as against net profit of Rs. 0.05 crore on operating income of Rs. 0.52 in the previous year. The net worth stood at Rs. 1.76 crore as on 31 March, 2017 (Provisional) as against Rs. 0.08 crore in the previous year.

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B- / Stable

Contacts

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