

Press Release

R M Infrastructure (RMI)

14 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 20.00 Cr. (Enhanced from Rs. 10.00 Cr.)
Long Term Rating	SMERA B- /Stable (Reaffirmed)

**Refer annexure for details*

SMERA has reaffirmed the long term rating to '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 20.00 crore (enhanced from the earlier level of Rs. 10.00 crore) bank facilities of R M Infrastructure (RMI). The outlook is '**Stable**'.

R M Infrastructure was established in the year 2016 under the proprietorship of Mr. C. Dinesh. It is a Chennai based company engaged in civil construction activities. The firm was functioning mainly as a subcontractor; the name was subsequently changed to its current name, R M Infrastructure (RMI) in 2016. RMI is engaged in undertaking civil construction contracts for Government Entities and bids directly. The company generally undertakes contracts such as roadways, railways, bridges and runways in the states of Tamil Nadu, Andhra Pradesh and Telangana.

Key rating drivers

Strengths

Experienced management: R M Infrastructure is a proprietorship concern, established in 2016. The proprietor Mr. C. Dinesh has operational track record of 7 – 8 years in the field of civil constructions. Previously Mr. C. Dinesh was undertaking labour contract works (sub contracts) and in June 2016, the firm changed its name to R M Infrastructure.

Weaknesses

Small scale of revenue due to nascent stage of operations: RMI's scale of operations is small due to its nascent stage of operation. Further, the operating income of RMI for FY 2017 stands at Rs. 4.36 crore against Rs. 0.52 crore for FY 2016. The firm registers 7.41 percent growth in FY 2017 over FY 2016.

Weak financial risk profile: The financial risk profile of the firm is weak marked by The networth of the firm stands low at Rs.1.37 crore as on 31st March 2017 against Rs.0.08 crore as on 31st March 2016. The gearing stood at 3.30 as on 31st March 2017 increased from 0.37 times as on 31st March 2016. However the total debt of Rs.4.54 crore includes working capital funds of Rs.4.51 crore in FY 2017. The coverage indicator is moderate at 5.97 times and NCA/TD stands

low at 0.08 times for FY 2017. The total liabilities to tangible networth (TOL/TNW) stood at 3.42 times as on 31st March, 2016 as against 0.42 times in the previous year

Working capital intensive nature of operations: The firm's operations are working capital intensive, as reflected in its gross current assets (GCA) of 505 days as on March 31, 2017 against 53 days as on March 31, 2016, due to inventory days of 415 days and debtor days of 129 for FY 2017. The reason for high inventory days is due slower execution and delays in projects.

As informed by the banker, average utilisation in the working capital limit is fully utilised for the past six months ended January 2018.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of R M Infrastructure (RMI) to arrive at the rating.

Outlook – Stable

SMERA believes RMI will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm registers substantial growth in revenues that lead to improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve the expected growth in revenues due to delays in execution of orders which lead to deterioration in profitability and financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	4.36	0.52
EBITDA	Rs. Cr.	0.43	0.07
PAT	Rs. Cr.	0.35	0.05
EBITDA Margin	(%)	9.93	12.74
PAT Margin	(%)	8.11	10.40
ROCE	(%)	14.15	98.32
Total Debt/Tangible Net Worth	Times	3.30	0.37
PBDIT/Interest	Times	5.97	21.69
Total Debt/PBDIT	Times	10.48	0.47
Gross Current Assets (Days)	Days	505	53

Any other information:

No Default Statement Pending

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16 Sept, 2017	Letter of Credit	Short Term	10.00	SMERA B-/Stable (Assigned)

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 (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B-/Stable (Reaffirmed)

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ABOUT SMERA

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