

Press Release

RAVI CONSTRUCTION COMPANY

November 29, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 8.00 crore bank facilities of RAVI CONSTRUCTION COMPANY. The outlook is '**Stable**'.

Ravi Construction Company (RCC) was established as a partnership firm in 2015 by Mr. Ashok Kakadiya and family. The firm is part of the Ganesh Group, engaged in the development of residential projects. The firm is registered as a Class B contractor with the government of Gujarat and undertakes civil construction contracts as also sub-contracts for other construction companies.

Key Rating Drivers

Strengths

- **Experienced promoter**

The firm was established by Mr. Ashok Kakadiya and family in 2015 for undertaking civil construction activity. The promoter possesses around two decades of experience in the infrastructure industry. Mr. Ashok Kakadiya is the founder member of the Ganesh Group incorporated in 1997. The group is engaged in development of residential projects and civil works in Gujarat.

Weaknesses

- **Average financial riskprofile**

The financial risk profile is average marked by low networth, comfortable gearing and modest debt protection measures. The networth levels stood at Rs. 0.69 crore (Provisional) as on 31 March, 2017 and 2016. The gearing stood at 1.13 times (Provisional) as on 31 March, 2017 as against 1.12 times as on 31 March, 2016. The total debt of Rs. 0.78 crore includes unsecured loans from related parties of Rs. 0.62 crore and working capital funds of Rs. 0.16 crore. The Interest coverage ratio stood at 3.74 times (Provisional) for FY2017 as against 1.60 times in FY2016. The Net cash accruals to total debt (NCA/TD) stood at 0.34 times in FY2017 (Provisional) as against 0.07 times in FY2016 on account of increase in net cash accruals in FY2017.

- **Small scale of operations**

The scale of operations is modest marked by revenue of around Rs.7.64 crore in FY2017 (Provisional) as against Rs.1.89 crore for FY2016. Further, the firm reported revenue of Rs. 5.00 crore for the period 1 April, 2017 to 20 November, 2017. The current order book of the firm stands at Rs. 21.61 crore to be executed by December, 2018.

- **Profitability susceptible to fluctuations in raw material prices and tender based operations**

RCC reported operating margin of 3.00 per cent in FY2016-17 and 3.94 per cent in FY2015-16. The operating margins are susceptible to volatility in raw material prices. The raw material procured includes iron, steel and cement, the prices of which are highly volatile in nature. Further, the firm is majorly dependent on government tenders for its orders. The tender based nature of operations makes it

vulnerable to order cyclicity.

• Intense competition from established players

RCC is exposed to intense competition from organised and unorganised players in the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Ravi Construction Company to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on RCC's rated facilities will remain stable over the medium term on account of its promoter's extensive experience in the industry. The outlook may be revised to 'Positive' in case of strong growth in scale of operations while sustaining improvement in profit margins. 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

In FY2016-17 (Provisional), the firm reported net profit of Rs.0.26 crore on operating income of Rs.7.64 crore as against net profit of Rs.0.05 crore on operating income of Rs.1.89 crore in the previous year. The tangible net worth stood at Rs.0.69 crore as on 31 March, 2017 and 31 March, 2016.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smerra.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4

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