

Press Release

RATILAL BHAGWANDAS CONSTRUCTION COMPANY

05 December, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 20.00 crore bank facilities of RATILAL BHAGWANDAS CONSTRUCTION COMPANY. The outlook is '**Stable**'.

The Pune-based Ratilal Bhagwandas Construction Company (RBCC), established on 13 Jan, 1987 as a proprietorship firm was converted to a partnership firm with Mr. Nitin Ratilal Karia and Mr. Anand Nitin Karia as partners, on 1st April 1992. The firm is engaged in civil construction.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

RBCC was established in 1993 by Mr. N Karia and Mr. A Karia. The firm has long track record of operations.

- **Reputed clientele**

RBCC has executed projects for a reputed client base including Mahindra and Mahindra, Schindler India Private Limited, Forbes Marshall Private Limited to name a few.

- **Healthy order bookposition**

The firm has healthy order book position with current orders in hand of Rs. 46 crore as on 31Oct, 2017.

- **Healthy financial risk profile and operating margins**

RBCC has healthy financial risk profile marked by high interest coverage of 40.24 times for FY2016-17 compared to 60.97 times for FY2015-16. The networth stood at Rs.2.31 crore as on 31 March, 2017 and Rs.0.29 crore as on 31 March, 2016 with no long term debt. The operating margins stood at a healthy 10.01 percent in FY2016-17 compared to 8.34 percent in FY2015-16.

Weaknesses

- **Moderate scale of operations, tender based business**

The operations are modest despite the firm's long track record of operations. The firm registered operating income of Rs.19.94 crore in FY2016-17 as against Rs.2.35 crore in FY2015-16. Being a civil contractor, the revenue of RBCC depends on the number of successful bids and tenders released in the financial year.

- **Competitive and fragmented industry**

The civil construction industry is marked by the presence of several mid to big sized players. Risk becomes more pronounced as tenders are based on the minimum amount of bidding of contracts. However, the said risk is mitigated to an extent as the management has been in the business for the last 24 years.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company.

Outlook: Stable

SMERA believes that RBCC will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, or deterioration in the financial risk profile. Any higher than expected working capital requirements undertaken by the firm will entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2016-17, RBCC reported Profit after Tax (PAT) of Rs.1.26 crore on operating income of Rs.19.94 crore compared to PAT of Rs.0.20 crore on operating income of Rs.2.35 crore in FY2015-16. The net worth stood at Rs.2.31 crore as on 31 March, 2017 against Rs.0.29 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.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
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.10	SMERA BB/Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	14.90	SMERA BB/Stable

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