



Press Release
Ratilal Bhagwandas Construction Company
March 14, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	20.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) on the Rs. 20.00 crore bank facilities of Ratilal Bhagwandas Construction Company (RBCC). The Outlook is '**Stable**'.

Rationale for Rating reaffirmation

The rating reaffirmation is on account of improved operating and financial performance of the firm marked by improved revenues, range bound margins and healthy financial risk profile. The revenue of the firm has improved to Rs.180.88 Cr in FY2023 as against Rs.135.14 Cr in FY2022 majorly led by increase in execution of orders during the period. The firm started executing sizeable projects such as civil, mechanical and other electrical projects which also supported the growth in turnover during FY2023. The revenue in 9MFY2024 stood at Rs.191 Cr. Further, the profitability of the company also witnessed improvement in operating margins which stood at 6.41 percent in FY203 as against 6.02 percent in FY2022. Also, PAT margins shown an improvement of 4.25 percent in FY2023 as against 4.15 percent in FY2022. The rating also factors in the experienced management and established track record of operations of the firm over three decades. The rating also draws comfort from the healthy capital structure with modest net worth and low gearing of the firm. The liquidity position of the firm continues to remain adequate with efficient working capital management. However, the rating remains constrained by the geographical concentration of its projects, competitive & fragmented industry and tender based nature of operations.

About the Company

Ratilal Bhagwandas Construction Company established on 1993. The firm is engaged in construction and civil work of factory buildings, shed and corporate offices. The Present Partners of the company are Mr. Nitin Karia, Mr. Anand Karia and Mrs. Ami Karia. The Registered Office of the firm is in Pune.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Ratilal Bhagwandas Construction Company (RBCC) for arriving at the rating

Key Rating Drivers

Strengths

Established track record of operations and experienced management

The firm is established by partners Mr. Nitin Ratilal Karia and Mr. Anand Nitin Karia. The firm has its presence in construction business for over three decades. The extensive experience of the

partners is reflected through the established relationship with its customers and suppliers. The group has executed projects for various reputed clientele such as M/s. Jabil Circuit India Private Limited, M/s. JCB India Ltd., M/s. Graviss Foods Private Limited, and Godrej & Boyce Manufacturing Company Limited. Furthermore, the revenue increased to Rs.180.88 crore in FY2023 as compared to Rs.135.14 crore in FY2022 majorly led by increase in execution of orders during the period. Also, the firm has started executing sizeable projects such as mechanical, civil and other electrical projects, which is also seen by the unexecuted order book outstanding of Rs.283.45 crore as of March 2024. Also, the management have informed that they have currently 3 projects including residential and industrial construction in L1 worth ~Rs.400 crore, out of which only one project will be undertaken and hence providing adequate revenue visibility over the medium term. Furthermore, profitability of the firm also improved marked by operating margin of 6.41 percentage in FY2023 as compared to 6.02 percentage in FY2022. The PAT margins also shown an improvement which stood at 4.25 percent in FY2023 as against 4.15 percent in FY2022. Also, till December 2023, the firm has achieved Rs.191 Crore.

Acuité believes that RBCC is likely to continue to benefit from its partners' extensive experience in the industry and comfortable order book position.

Healthy Financial Risk Profile albeit low net worth

The financial risk profile of the company stood healthy, marked by moderate net worth, low gearing, and healthy debt protection metrics. The tangible net worth stood at Rs.27.11 crore as on 31 March 2023 as against Rs.17.84 crore as on 31 March, 2022. The total debt of the company stood low at Rs.0.82 crore includes Rs.0.07 crore of long-term debt, Rs.0.02 crore of CPLTD and Rs.0.73 crore of Unsecured loans as on 31 March, 2023. The gearing (debt-equity) stood low at 0.03 times as on 31 March 2023 as compared to 0.08 times as on 31 March, 2022. Interest Coverage Ratio remained comfortable at 41.09 times for FY2023 as against 57.77 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 27.36 times in FY2023 as against 39.01 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.54 times as on 31 March, 2023 as against 2.08 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 9.69 times for FY2023 as against 4.02 times for FY2022.

Acuité expects RBCC's going forward capital structure to remain stable on account of management's conservative leverage policy and coverage indicators to improve with improvement in profitability.

Working capital management: Efficient

The working capital management of the company remained efficient marked by GCA days of 83 days in FY2023 as against 87 days in FY2022. The debtor days stood at 50 days in FY2023 as against 52 days in FY2022. The average credit period allowed to customers of 30-45 days. The creditor days stood at 162 days in FY2023 as against 215 days in FY2022. The average credit period allowed by suppliers is 30-45 days. The inventory holding period of the company stood at 30 days in FY2023 as against 26 days in FY2022.

Acuite expects the working capital management to remain efficient over the medium term on account of better management of inventory.

Weaknesses

Tender based nature of operations

The revenues of the firm are generated through tender-based orders floated by counter parties coupled with the increasing competition in the industry. The revenue has direct impact on successful bidding of order and competitive pricing provided to surpass competition from other players in the industry.

Competitive and fragmented industry

The firm is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The firm faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management operating in this environment for last 2 decades.

Rating Sensitivities

Ability to improve scale of operations and profitability.

Ability to maintain healthy capital structure and adequate liquidity position

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by sufficient net cash accruals. The company generated net cash accruals of Rs.7.92 Crore in FY2023 against no matured debt obligations. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.10.87-14.82 crores over the medium term against expected matured debt obligations of Rs.0.02 crore during the same period. The working capital management of the company is efficient marked by GCA days of 83 days in FY2023 as against 87 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.0.60 crore as on March 31, 2023. The current ratio stands at 1.36 times as on March 31, 2023. The company doesn't have any CC/BG/OD limit from bank. As and when required, the company takes BG/OD against 100% FDR. Current BG O/s as on March 2024 against 100% FDR is ~Rs.17 crore.

Acuité believes that the liquidity of the firm to remain adequate over the medium term on account of adequate cash accruals and liquid investments.

Outlook: Stable

Acuité believes that the outlook on RBCC's rated facilities will remain 'stable' over the medium term on account of its partners' extensive experience, established operational track record, healthy capital structure and adequate order book position. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	180.88	135.14
PAT	Rs. Cr.	7.68	5.61
PAT Margin	(%)	4.25	4.15
Total Debt/Tangible Net Worth	Times	0.03	0.08
PBDIT/Interest	Times	41.09	57.77

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-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Dec 2022	Proposed Bank Guarantee	Long Term	12.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Long Term Bank Facility	Long Term	8.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
23 Sep 2021	Proposed Bank Guarantee	Long Term	12.00	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Proposed Long Term Loan	Long Term	8.00	ACUITE BB+ Stable (Upgraded from ACUITE BB)
15 Apr 2021	Bank Guarantee (BLR)	Long Term	8.00	ACUITE BB (Downgraded & Issuer not co-operating*)
	Proposed Bank Guarantee	Long Term	12.00	ACUITE BB (Downgraded & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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