

Press Release

RVN Infra Private Limited

10 May, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 50.00 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 plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 50.00 crore bank facilities of RVN Infra Private Limited (RVN). The outlook is 'Stable'.

Incorporated in 2013- RVN Infra Private Ltd is a Hyderabad based company engaged in civil construction activities comprising of construction irrigational canals, reservoirs, laying of railway tracks, bridges etc. The company is a registered special class contractor with Irrigation & CAD Department, Erramanzil- Hyderabad (Telangana). The company is promoted by Mr. R. Venkatramaiah who has experience of over four decades in the same line business.

Key Rating Drivers

Strengths

Experienced management

RVN is promoted by Mr. R. Venkatramaiah who has experience of over four decades in the same line business. Before promoting RVN- Mr. R. Venkatramaiah was executing projects in an individual capacity and over the years has executed several projects for construction of earthen dams, laying of railway tracks, bridges etc.

Healthy Order Book Position

The company has a healthy order book position of Rs 186.00 crs as on 31st March'18. The orders are received from Progressive Constructions Limited (principal contractor) for construction of the Somasila Swarnamukhi Link Canal in Nellore and Chittoor District. Healthy order book position provides revenue visibility in the medium term.

Weaknesses

Modest Scale of operations and client concentration

RVN operates in a modest scale of operation with revenue of Rs. 40.65 crore in FY 2017 as against Rs 15.26 crore in FY 16. During, the current year the company achieved revenue of ~ Rs 50 crs till March'18 (prov). Further, the rating is constrained on account of the entire revenue being executed for a sole principal contractor viz. Progressive Constructions Limited.

Moderate Financial Risk Profile

RVN moderate financial risk profile marked by low net worth of Rs. 3.58 crore in FY 2017 as compare to Rs 2.15 crs in the previous year. Gearing stood high at 4.66 times in FY 17 as compare to 8.24 times in FY 16. The total debt of Rs.16.67 as on 31st March'17 comprises of Rs.3.20 crore of secured loans and Rs.10.46 crore of overdraft from bank and Rs 3.00 crs of unsecured loans from promoters. The interest coverage ratio stood at 2.00 times in FY 17 as compare to 1.96 times in the previous year. The DSCR declined in FY 17 to 1.24 times as compare to 1.74 times in the previous year.

Working capital intensive operations

RVN has working capital intensive operations are marked by gross asset days of 163 days in FY2017 as compared to 509 days in 2016. The improvement in GCA days in FY 17 is account of nil inventory on account of bills submitted before March'17 was subsequently released by the department resulting in Nil inventory. The debtor days stood at 34 days in FY 17 as compare to 39 days in FY 16. The working capital intensity is further reflected by almost 95 per cent utilization of its fund based working capital facilities.

Outlook: Stable

SMERA believes RVN will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profitability while improving working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile and if the creditor cycle further elongates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	40.65	15.26	6.38
EBITDA	Rs. Cr.	6.01	2.37	1.13
PAT	Rs. Cr.	1.42	0.44	0.23
EBITDA Margin	(%)	14.79	15.53	17.63
PAT Margin	(%)	3.49	2.85	3.63
ROCE	(%)	26.12	15.91	49.68
Total Debt/Tangible Net Worth	Times	4.66	8.24	17.86
PBDIT/Interest	Times	2.00	1.96	1.51
Total Debt/PBDIT	Times	2.68	7.06	3.62
Gross Current Assets (Days)	Days	163	509	601

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

None

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profile of RVN.

Any other information

None

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	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA B+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	32.00	SMERA A4 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4 (Assigned)

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ABOUT SMERA

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