

Press Release

R R Constructions

May 22, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.73 Cr.
Long Term Rating	SMERA D

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA D**' (read as **SMERA D**) on the Rs.8.73 crore bank facilities of R R Constructions.

Established in 2003, R R Constructions (RRC) is a proprietary concern promoted by Mr. R Ramesh. The firm is engaged in civil construction and owns four banquet halls in Kancheepuram district (Tamil Nadu).

Key Rating Drivers

Strengths

- **Experienced management**

RRC, established in 2003, is promoted by Mr. R Ramesh, who has an experience of over two decades in the construction line. The firm undertakes civil construction in the districts of Kancheepuram and owns four banquet halls rented for the purpose of marriage and other ceremonies.

Weaknesses

- **Small scale of operation**

The scale of operation is small with operating revenue of Rs.0.59 crore in FY2017 as against Rs.0.78 crore in FY2016 from its civil construction projects. Going forward, the firm's operating income is expected to be augmented by rental income received from the four banquet halls managed by it.

- **Weak financial risk profile**

The average financial risk profile is marked by moderate net worth, high gearing and moderate debt protection metrics. The net worth improved from Rs.0.26 crore in FY2016 to Rs.1.07 crore in FY2017 from mainly on account of capital infusion. The gearing stood high at 2.36 times as on 31 March, 2017. The net cash accruals against total debt remained low at 0.04 times in FY2017.

- **Delays in servicing debt obligation**

There have been instances of delays in servicing of debt obligations during the last three months on its interest payment.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of R R Constructions for arriving at the rating

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.59	0.90	0.87
EBITDA	Rs. Cr.	0.12	0.08	0.08
PAT	Rs. Cr.	0.10	0.07	0.07
EBITDA Margin	(%)	20.25	8.86	9.24
PAT Margin	(%)	16.49	7.84	7.62
ROCE	(%)	5.97	27.84	57.35
Total Debt/Tangible Net Worth	Times	2.36	0.00	0.00
PBDIT/Interest	Times	0.00	0.00	0.00
Total Debt/PBDIT	Times	20.55	0.00	0.00
Gross Current Assets (Days)	Days	136	160	113

Any other information

Not Applicable

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
Term loans	Not Applicable	Not Applicable	Not Applicable	7.73	SMERA D
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA D

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