Press Release

Rajinder Infrastructure Private Limited

November 06, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' **(read as ACUITE BBB)** and short term rating of **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs. 40.00 crore bank facilities of Rajinder Infrastructure Private Limited. The outlook is **'Stable'**.

The Chandigarh based, RIPL was incorporated in 2010 by Mr. Gurinder Pal Singh. RIPL is engaged as a civil contractor in the construction of roads and bridges.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Rajinder Infrastructure Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Healthy order book position**

The company registered operating income of Rs.211.99 crore in FY2018 as against Rs.161.82 crore in FY2017. Moreover, the company has an unexecuted order book position of ~Rs.396.95.00 crore as on 31 March, 2018 which gives the revenue visibility over the medium term. Acuité believe that the increased focus on highway projects from central government agencies such as NHAI and MoRTH will benefit RIPL over the medium term.

- **Moderate financial risk profile**

RIPL has moderate financial risk profile marked by moderate net worth, low gearing and healthy debt protection measures. RIPL's net worth is moderate at around Rs.25.16 crore as on March 31, 2018 (Provisional). The net worth has improved sequentially from Rs.14.17 crore as on March 31, 2016 on account of accretion to reserves. Acuité believes that the net worth of the company is expected to remain moderate backed by its stable operating margins leading to accretion to reserves. The company has followed a conservative financial policy in the past, with its peak gearing estimated at around 1.74 times as on March 31, 2016. However, the gearing of the company has improved to 0.83 times as on March 31, 2018. The TOL/TNW ratio, however, is estimated to be moderate at around 2.36 times as on March 31, 2018 on account of mobilisation advances and trade payables as against 2.22 times as on March 31, 2017. The operating margins of the company are estimated to remain stable at around ~8.00 percent. The interest coverage stood high at 5.83 times in FY2018 as against 4.71 times in FY2017. Acuité believes that the debt protection metrics will remain healthy on account of revenue visibility and stable operating margins over the medium term.

- **Comfortable working capital**

The company has comfortable working capital marked by Gross Current Assets (GCA) of 86 days for FY2018 as against 106 days in FY2017. The debtor and inventory days stood comfortable at 41 and 05 respectively for FY2018 as against 53 and 10 days in FY2017 respectively. Further, the bank limit utilisation stood at an average ~58.00 percent for the last six months ended August 31, 2018.

Weaknesses

• **Competitive and fragmented industry**

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

• **Geographic concentration**

RIPL is exposed to geographic concentration risk as the company executes majority of its projects in the state of Punjab. Out of the total revenue in FY2018, the company earned 92 percent of the revenue by executing projects in Punjab as against 91 percent in FY2017. Further, RIPL executes its order for the Public works department in Punjab. Any change in the regulatory policies of Punjab may have an impact on the business of RIPL.

Outlook: Stable

Acuité believes that RIPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the financial risk profile, liquidity position or delay in completion of its projects.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	211.99	161.82	133.94
EBITDA	Rs. Cr.	15.56	13.70	11.33
PAT	Rs. Cr.	6.15	5.05	4.49
EBITDA Margin	(%)	7.34	8.46	8.46
PAT Margin	(%)	2.90	3.12	3.35
ROCE	(%)	25.47	23.96	48.06
Total Debt/Tangible Net Worth	Times	0.83	1.34	1.74
PBDIT/Interest	Times	5.83	4.71	3.85
Total Debt/PBDIT	Times	1.34	1.86	2.17
Gross Current Assets (Days)	Days	86	106	116

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

• Default Recognition - https://www.acuite.in/criteria-default.htm
• Infrastructure Entities - https://www.acuite.in/view-rating-criteria-14.htm
• Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.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	10.00	ACUITE BBB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3+

Contacts

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About Acuité Ratings & Research:
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