

## Press Release

### Rajinder Infrastructure Private Limited

December 23, 2019

#### Rating Reaffirmed



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

\* Refer Annexure for details

#### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) 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**'.

Chandigarh-based, Rajinder Infrastructure Private Limited (RIPL) was incorporated in 2010 and is engaged in the business of civil construction of roads and bridges. RIPL is being promoted by Mr. Gurinder Pal Singh and Ms. Parinita Ahuja. Till 2014, the company was an asset holding company and then in 2015 it acquired Rajinder & Co. which was established in 1988 by Mr. Gurinder Pal Singh and was in the same line of business.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the RIPL to arrive at this rating.

#### Key Rating Drivers

##### Strengths

##### • Experienced management

The promoter of RIPL, Mr. Gurinder Pal Singh who has around three decades of experience in the civil construction business which has enabled company to maintain stable growth in its scale of operation. Company registered cumulative annual growth rate of 17.06% during the last three years. This has further helped the company to maintain strong relations with its customers as well as with its suppliers. Acuite believes that RIPL will continue to derive benefit from its experienced management and strong relations with customers over the medium term.

##### • Moderate financial risk profile

RIPL has moderate financial risk profile marked by moderate net worth, healthy debt protection metrics and low gearing. The net worth of the company has sequentially improved to Rs.31.94 crore as on 31 March, 2019 as against Rs.19.12 crore as on 31 March, 2017 on account of healthy accretion to reserves, the latter is a result of moderate operating margins.

The company has followed a conservative financial policy in the past, the same is also reflected through its gearing levels. The gearing level (debt-equity) stood stable at 0.75 times as on 31 March, 2019 as against 0.83 times as on 31 March, 2018. The gearing of the company is expected to remain low over the medium term on account of absence of any debt funded capex plans and modest incremental working capital requirements, which is likely to be completely funded by the cash accruals of the company. The total debt of Rs.23.97 crore as on 31 March, 2019 consists of long term debt of Rs.14.11 crore and working capital borrowings of Rs.9.85 crore.

Interest coverage ratio (ICR) remains healthy and stands at 9.75 times in FY2019 as against 5.83 times in FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.44 times in FY2019 and 0.47 times in FY2018. Debt to EBITDA stood at 1.64 times in FY2019 as against 1.34 times in the previous year.

Acuite believes that the financial risk profile of the company is expected to remain moderate backed by average net cash accruals and in absence of any major debt funded capex in near to medium term.

#### • Efficient working capital intensive nature of Operations

Operations of RIPL are working capital efficient marked by Gross Current Assets (GCA) of 110 days in FY2019 as against 86 days in the previous year. This is on account of debtors' collection period 49 days in FY2019 as against 41 days in the previous year and inventory holding period of 5 days in FY2019 as against 5 days in the previous year. On the other hand, company gets a credit period of around 18 days from its suppliers. Further current ratio of the company stood moderate at 1.31 times as on 31 March, 2019 as against 1.35 times as on 31 March, 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 bidding 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. Around 90 per cent of the current projects are in the Punjab. 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.

### Key rating Sensitivity Factors

- Addition of new orders to the order book position.
- Timely completion of ongoing projects.
- Deterioration of working capital.

### Material Covenants

Not Applicable

### Liquidity Position:

The company has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. RIPL generated cash accruals of Rs.10.65 crore in FY2019 against debt obligations of Rs.3.50 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.10.92 crore to Rs.10.79 crore during FY2020-22 against repayment obligations of Rs.3.50 crore for the same period. The company's working capital operations are efficient marked by gross current asset (GCA) days of 110 days in FY2019. The company maintains unencumbered cash and bank balances of Rs.0.62 crore as on 31 March, 2019. The current ratio stood at 1.31 times as on 31 March, 2019. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

### Outlook: Stable

Acuite 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	214.84	211.99
PAT	Rs. Cr.	6.60	6.15
PAT Margin	(%)	3.07	2.90
Total Debt/Tangible Net Worth	Times	0.75	0.83
PBDIT/Interest	Times	9.75	5.83

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06- Nov-2018	Cash Credit	Long Term	10.00	ACUITE BBB/Stable (Assigned)
	Bank Guarantee/ Letter of Credit	Long Term	30.00	ACUITE A3+ (Assigned)

### \*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 (Reaffirmed)
Bank Guarantee/ Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3+ (Reaffirmed)

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### About Acuité Ratings & Research:

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