

Press Release

Ram Chandra Paul (RCP)

March 05, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB- (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.20.00 crore of bank facilities of Ram Chandra Paul. The outlook is '**Stable**'.

RCP is a proprietorship firm established in 2001, promoted by Mr Ram Chandra Paul. The firm has, since inception, been undertaking civil construction activities such as construction of roads, and bridges. RCP is the principle contractor for Public Works Department, Public Works Department Roads, and National Highways Authority of India in West Bengal.

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of RCP to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

RCP has been in operations since 2001. The proprietor of the RCP Mr. Ram Chandra Paul had an experience of more than 15 years in construction industry.

Above average financial risk profile

The financial risk profile of the company is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood healthy at Rs.36.21 crore in FY2018 as its increased from Rs.26.79 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood modest at 0.20 times in FY2018 as against 0.22 times in FY2017. The total debt of Rs.7.23 crore consist of long term debt of Rs.7.14 crore, unsecured loan from promoters of Rs.0.10 as on 31st March 2018. The interest coverage ratio (ICR) of the company stood strong at 13.16 times in FY2018 as compared to 14.95 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 13.16 times in FY2018 as compared to 14.95 times in FY2017. The net cash accruals against the total debt stand comfortable at 1.67 times in FY2018 as compared to 1.53 times in FY2017.

Weaknesses

Moderate scale of operation

RCP operates in moderate scale of operation though it started commercial operation in the year 2001 it achieved revenue of Rs.72.37 crore in FY 2018 as compared to Rs.115.96 crore in previous year. The firm has booked Rs.70.00 crore till 31st Jan, 2019 (Provisional). Acuite believes the ability of the company to scale up the operations will remain a key monitorable.

Tender based business

Major business is bagged through open tenders. Hence the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. Company has to do tendering on competitive prices; this may affect the profitability of the firm. This has resulted in fluctuating operating profit margins.

Liquidity Position

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligation. The company has generated cash accruals of Rs. 12.07 crore in FY2017-18, while its maturing debt obligation of Rs.1.00 crore in FY2017-18.

Outlook: Stable

Acuite believes RCP will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience, established relations with customers and above average financial risk profile. The outlook may be revised to 'Positive' if the firm registers more than expected revenues while further improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital management gets elongated or the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	72.37	115.96	106.67
EBITDA	Rs. Cr.	10.23	9.60	5.45
PAT	Rs. Cr.	9.40	7.10	4.42
EBITDA Margin	(%)	14.13	8.28	5.11
PAT Margin	(%)	12.99	6.12	4.14
ROCE	(%)	27.31	28.54	26.45
Total Debt/Tangible Net Worth	Times	0.20	0.22	0.18
PBDIT/Interest	Times	13.16	14.95	59.71
Total Debt/PBDIT	Times	0.55	0.61	0.62
Gross Current Assets (Days)	Days	253	273	220

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

Not applicable

Any other information

ACUITE is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

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)

NA

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.75	ACUITE BB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB-/Stable (Assigned)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A4+ (Assigned)

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About Acuite Ratings & Research:

Acuite Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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