

Press Release

Raipur Construction Private Limited

December 23, 2020

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.50.00 crore of bank facilities of Raipur Construction Private Limited. The outlook is '**Stable**'.

Incorporated in 1998, Raipur Construction Private Limited (RCPL) is engaged in the business of civil construction and primarily undertakes road construction works in the states of Chhattisgarh. The company is promoted by Mr. Mohammad Asgar and Mr. Mohammad Aamir. RCPL undertakes civil construction projects for Nagar Nigam Raipur, Water Resource Department (WRD), Chhattisgarh State Industrial Development Corporation (CSIDC), Public Works Department (PWD), Chhattisgarh Road Development Corporation (CGRDC), Indian Railway Construction Company Limited (IRCON), Pradhan Mantri Gram Sadak Yojana (PMGSY) among others.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of RCPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

The company was incorporated in 1998 by Mr. Mohammad Asgar and Mr. Mohammad Aamir and thus has experience of more than two decades in civil construction work. During this tenure they have completed projects for Nagar Nigam Raipur, Water Resource Department (WRD), Chhattisgarh State Industrial Development Corporation (CSIDC), Public Works Department (PWD), Chhattisgarh Road Development Corporation (CGRDC), Indian Railway Construction Company Limited (IRCON), Pradhan Mantri Gram Sadak Yojana (PMGSY) among others. Further, Acuité believes that the company will continue to benefit from its promoter's extensive industry experience and established relationship with customers and suppliers over the medium term.

Healthy financial risk profile

The financial risk profile of the company is marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.33.50 crore in FY 2020 (Prov.) as compared to Rs 28.68 crore in FY2019. The gearing of the company stood low at 0.14 times as on March 31, 2020 (Prov.) when compared to 0.32 times as on March 31, 2019. This improvement in gearing is mainly on account of repayment of long term debt and improvement in networth of the company during the period. Interest coverage ratio (ICR) stood at 8.21 times in FY2020 (Prov.) as against 7.56 times in FY 2019. The debt service coverage ratio (DSCR) of the company stood at 1.48 times in FY2020 (Prov.) as compared to 3.08 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 1.64 times in FY2020 (Prov.) as compared to 0.75 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain comfortable backed by no major debt funded capex plan over the medium term and steady net cash accruals.

Healthy profitability margin

The operating profitability margin of the company stood healthy at 10.44 per cent in FY2020 (Prov.) as compared to 8.85 per cent in the previous year. This improvement in profitability margin is on account of a decrease in construction material price during the period. The net profitability margin of the company also stood healthy at 6.50 per cent in FY2020 (Prov.) as compared to 3.83 per cent in the previous year.

Weaknesses

Moderate scale of operation

Though the company has started operation from 1998, the scale of operation of the company stood moderate at Rs.74.28 crore in FY2020 (Prov.) as compared to Rs.113.14 crore in the previous year. The revenue of the company has declined mainly on account of lower execution of construction work during the period. The business of the company has also got affected due to the outbreak of COVID-19 during March 2020. However, the company has a healthy unexecuted order of Rs.410.41 crore as on October 2020 imparting revenue visibility over the medium term.

Working capital intensive nature of operation

The working capital intensive nature of operation marked by high gross current asset (GCA) days of 171 days in FY2020 (Prov.) as compared to 123 days in the previous year. The increase in GCA days is mainly on account of high other current assets during the period. The other current asset of Rs.24.16 crore in FY2020 (Prov.) mainly consists of earnest money deposit and retention money of Rs.22.75 crore. The debtor days of the company stood moderate at 29 days in FY2020 (Prov.) as compared to 34 days in the previous year. The inventory days of the company also stood moderate at 24 days in FY2020 (Prov.) as against 18 days in the previous year.

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin
- Sustenance of their conservative capital structure
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by comfortable net cash accruals of Rs.7.57 crore as against Rs.2.50 long term debt obligations in FY2020 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 7.18 crore to Rs. 9.69 crore during 2021-23 against Rs. 1.98 crore in FY2022 and in FY2023 of long term debt obligation respectively. The working capital management of the company is marked by Gross Current Asset (GCA) days of 171 days in FY2020 (Prov.). Moreover, the company has not utilized its bank limit for the last six months ended in November 2020. The liquidity of the company is also strengthened by the unencumbered cash of Rs.0.40 crore in FY2020 (Prov.). The current ratio of the company also stood healthy at 1.53 times in FY2020 (Prov.). However, the company has neither availed the loan moratorium nor applied any COVID emergency fund. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité believes that RCPL will continue to benefit over the medium term from the management's experience and its long track record. The outlook may be revised to 'Positive' if RCPL achieves more than envisaged sales and profitability, and improve its working capital intensity. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue or deterioration in financial risk profile in case of higher than expected working capital requirement and deterioration in the liquidity of the company.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	74.28	113.14
PAT	Rs. Cr.	4.82	4.33
PAT Margin	(%)	6.50	3.83
Total Debt/Tangible Net Worth	Times	0.14	0.32
PBDIT/Interest	Times	8.21	7.56

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector – <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/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
15-July-2019	Overdraft	Long Term	1.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	29.00	ACUITE A3 (Assigned)
02-July-2019	Bank Guarantee	Short Term	20.00	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Note Applicable	Note Applicable	Note Applicable	0.15	ACUITE BBB-/Stable (Reaffirmed)
Proposed Long Term Facility	Note Applicable	Note Applicable	Note Applicable	0.85	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Note Applicable	Note Applicable	Note Applicable	40.00	ACUITE A3 (Reaffirmed)
Proposed Bank Guarantee	Note Applicable	Note Applicable	Note Applicable	9.00	ACUITE A3 (Reaffirmed)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in	

About Acuité Ratings & Research:

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