

Press Release

Raipur Construction Private Limited

March 23, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	49.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite 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 Cr bank facilities of Raipur Construction Private Limited. The outlook is '**Stable**'.

The rating on RCPL is driven by the extensive experience of the management in the infrastructure construction industry and established market position marked by association with reputed government clients. The rating also reflects the healthy financial risk profile and adequate liquidity position of the company. However, these strengths are partially offset by the working capital intensive nature of operation and the moderate scale of operation of the company.

About the Company

Incorporated in 1998, Raipur Construction Private Limited (RCPL) is engaged in the business of civil construction and primarily undertakes road construction works in the state 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

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

Key Rating Drivers

Strengths

Long track record of operation and experienced management

The company was established in 1998 by Mr. Mohammad Asgar and Mr. Mohammad Aamir, who has healthy experience of more than two decades in civil construction work. During this tenure they have completed lot of major 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. The company's track record in construction and its healthy relationship with its key clients is reflected in the repeat orders received from the latter.

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 moderate at Rs.37.43 Cr in FY 2021 as compared to Rs 32.49 Cr in FY2020. This improvement in networth is mainly due to the retention of profits of the previous year. The gearing of the company stood comfortable at 0.07 times as on March 31, 2021 as compared to 0.14 times as on March 31, 2020. Interest coverage ratio (ICR) is strong and stood at 9.69 times in FY2021 as against 8.62 times in FY 2020. The debt service coverage ratio (DSCR) of the company also stood healthy at 2.69 times in FY2021 as compared to 1.31 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 2.96 times in FY2021 as compared to 1.41 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy on account of steady net cash accruals over the near term.

Healthy profitability margin

The operating profitability margin of the company continued to be healthy at 9.71 per cent in FY2021 although it declined slightly from 10.93 per cent in the previous year. The moderation is on account of increase in input cost of raw material during the period. Acuité believes that the operating margin of the company will largely sustain at the same level backed by in-built price escalation clause that provides cushion for covering the increased input cost. The net profitability margin of the company also stood comfortable at 5.33 per cent in FY2021 as compared to 5.10 per cent in the previous year. Given the promoter's focus on the bottomline and selective approach towards projects, we expect the overall profitability to remain stable over the medium term.

Weaknesses

Moderate scale of operation

Though the company has started operation since 1988, the revenues of the company has remained moderate at 92.74 Cr in FY2021. The company has however, booked Rs.90.29 Cr revenues till December 2021 (Prov.) and is likely to record a healthy growth in FY22. Going forward, Acuité believes that the revenue of the company will improve over the medium term on account of healthy order book of Rs.679.81 Cr as on August 2021.

Working capital intensive nature of operation

The working capital management of the company is marked by high GCA days of 193 days in FY2021 as compared to 155 days in FY2020. This is mainly on account of high other current assets of Rs.29.77 Cr as on Mar-21, which mainly consists of security deposits, EMD deposits and royalty receivables. The inventory days of the company stood comfortable at 26 days in FY2021 as compared to 23 days in the previous year. The debtor days of the company also stood moderate at 49 days in FY2021 as compared to 32 days in the previous year. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Rating Sensitivities

- Scaling up of operations while maintaining the profitability margin
- Sustenance of the conservative capital structure
- Any improvement or significant deterioration in working capital parameters

Material covenants

None

Liquidity Position: Adequate

The company has adequate liquidity marked by comfortable net cash accruals of Rs.7.3 Cr as against Rs.2.1 Cr long term debt obligations in FY2021. The cash accruals of the company are estimated to remain in the range of around Rs. 9.8 Cr to Rs. 11.2 Cr during 2022-23 as against Rs.1.99 Cr and Rs.2.50 Cr of long term debt obligation in FY2022 and FY2023 respectively. The current ratio of the company stood comfortable at 1.40 times in FY2021. While the working capital intensive nature of the company is marked by high Gross Current Asset (GCA) days of 193 days in FY2021, the bank limit of the company has been only 20 percent utilized during the last six months ended in January 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against moderate 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 track record in the civil construction business. The outlook may be revised to 'Positive' if RCPL achieves more than the envisaged sales and profitability, and improve on its working capital intensity. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve adequate growth in revenue or there is any deterioration in financial risk profile through higher than expected working capital requirement.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	92.74	74.87
PAT	Rs. Cr.	4.94	3.82
PAT Margin	(%)	5.33	5.10
Total Debt/Tangible Net Worth	Times	0.07	0.14
PBDIT/Interest	Times	9.69	8.62

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Dec 2020	Secured Overdraft	Long Term	0.15	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.85	ACUITE BBB- Stable (Assigned)
	Proposed Bank Guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
15 Jul 2019	Bank Guarantee	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	29.00	ACUITE A3 (Assigned)
	Dropline Overdraft	Long Term	1.00	ACUITE BBB- Stable (Assigned)
02 Jul 2019	Bank Guarantee	Short term	20.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab and Sind Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3 Reaffirmed
Punjab and Sind Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	0.15	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.85	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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