



Press Release
Raipur Construction Private Limited
June 05, 2023
Rating Upgraded

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

Rating Rationale

Acuite has upgraded the long-term rating from **Acuite BBB-' (read as ACUITE triple B minus)** to **Acuite BBB' (read as ACUITE triple B)** and the short-term rating from **Acuite A3' (read as ACUITE A three)** to **Acuite A3+ (read as ACUITE A three Plus)** on the Rs. 50.00 Cr bank facilities of Raipur Construction Private Limited. The outlook is 'stable'.

Rationale for the Upgrade

The rating upgrade considers the comfort drawn from the long track record of operations, extensive experience of the promoters, improvement in the business risk profile, and growth expected in the near to medium term. Coupled with that, the firm has adequate liquidity and a healthy order book position.

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, the Water Resource Department (WRD), the Chhattisgarh State Industrial Development Corporation (CSIDC), the Public Works Department (PWD), the Chhattisgarh Road Development Corporation (CGRDC), the Indian Railway Construction Company Limited (IRCON), and the Pradhan Mantri Gramme 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 have a healthy experience of more than two decades in civil construction work. During this tenure, they have completed a lot of major projects for Nagar Nigam Raipur, the Water Resource Department (WRD), the Chhattisgarh State Industrial Development Corporation (CSIDC), the Public Works Department (PWD), the Chhattisgarh Road Development

Corporation (CGRDC), the Indian Railway Construction Company Limited (IRCON), and the Pradhan Mantri Gramme Sadak Yojana (PMGSY), among others. The company's track record in construction and its healthy relationship with its key clients are reflected in the repeat

orders received from the latter.

Augmentation in the business risk profile

RCPL's operations improved, which is apparent from the growth in revenue from operations by 58.40% in FY2023 (prov.) to 216.49 crore as against Rs. 136.68 crore for FY2022. (improved by 133 percent over the last three years, FY 21 to FY 23). The increase in revenue is attributable to the execution of projects in hand. The operating profit margin of the company improved by 78 bps in FY 23 (Prov.). The operating profit margin of the group stood at 10.05% in FY2023 (prov.) as against 9.27% in FY2022. Furthermore, the net profit margin of the group also improved by 89 basis points and stood at 6.14 percent in FY2023 as against 5.25 percent in FY2022. ROCE of the RCPL stood at 35.54 times in FY2023 (Prov.).

Financial Risk Profile: Healthy

RCPL has a healthy financial risk profile marked by moderate net worth and comfortable debt protection metrics. RCPL's net worth stood at Rs. 57.90 crore as of March 31, 2023 (prov.) as against Rs. 44.61 crore as of March 31, 2022. Group follows a conservative leverage policy. Gearing levels (debt-to-equity) improved and stood at 0.06 times as of March 31, 2023 (prov.) as against 0.15 times in FY 2022. The improvement in gearing ratio in FY 23 is on account of profit accretions and the repayment of debt. The total outstanding debt of the company is Rs. 3.46 crore as of March 31, 2023, which consists of long-term bank borrowings of Rs. 0.16 crore, a short-term working capital limit of Rs. 0.13 crore, and current maturities of long-term debt of Rs. 3.17 crore.

Further, the interest coverage ratio stood strong at 16.57 times for FY2023 (prov.) as against 12.60 times in FY2022. The debt service coverage ratio improved by 33 bps and stood at 3.95 times for FY2023 (prov.) as against 3.62 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 1.14 times as of FY2023 (prov.) compared to 1.38 times as of FY2022. Debt-EBITA stood at 0.15 times as of March 31st, 2023 (prov.) as against 0.51 times as of March 31st, 2022. The net cash accruals to total debt stood at 4.80 times as of FY2023 (prov.) and 1.46 times for FY2022. The financial risk profile of the group is expected to remain comfortable in the near term, as the company does not have any new capex plans in the short term.

Weaknesses

Working capital operations are moderate.

RCPL has moderate working capital requirements, as evident from gross current assets (GCA) of 56 days in FY2023 (prov.) as compared to 83 days in FY2022. Debtor days improved and stood at 16 days in FY 2023 (prov.) as against 23 days in FY 2022. Inventory days stood at 20 days in FY2023 (prov.) as against 46 days in FY2022. Fund-based working capital limits were utilised at 79 percent during the last twelve months ended March 23. The current ratio of the company stood at 1.28 times as of March 31, 2023 (prov.).

Rating Sensitivities

Scaling up of operations while maintaining the profitability margin

Any improvement or significant deterioration in working capital parameters

Timely execution of projects

Material covenants

None

Liquidity Position Adequate

RCPL has adequate liquidity, marked by net cash accruals to its maturing debt obligations and an adequate current ratio. The company generated cash accruals of Rs. 16.62 crore for FY2023 (Prov.) as against obligations of Rs. 3.19 crore for the same period. The current ratio stood at 1.28 times as of March 31, 2023 (prov.) as against 1.23 times in the previous year. Fund-based limit utilisation in the last twelve months ended March 23 was 79%, leaving an additional cushion for the company to meet contingencies, but NFB limits are fully utilised. The

cash and bank balances of the company stood at Rs 0.85 crore. The liquidity of the group is expected to improve, with the company expected to generate cash accruals in the range of Rs. 30 to 40 crore against negligible repayment, which will also support the liquidity of the company.

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 improves on its working capital operations. Conversely, the outlook may be revised to 'negative' if the company fails to achieve adequate growth in revenue or there is any deterioration in its financial risk profile due to a higher than expected working capital requirement.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	216.49	136.68
PAT	Rs. Cr.	13.29	7.18
PAT Margin	(%)	6.14	5.25
Total Debt/Tangible Net Worth	Times	0.06	0.15
PBDIT/Interest	Times	16.57	12.60

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

Care Ratings vide its press release dated 12.01.2023, had reated the company to CARE B+/Stable/A4 ; Issuer Not Cooperating.

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Mar 2022	Proposed Bank Guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	0.15	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.85	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A3 (Reaffirmed)
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)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

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