Press Release

R K D Construction Private Limited

06 March 2020

Rating Assigned

Total Bank Facilities Rated*	Rs. 435.00 Cr.
Long Term Rating	ACUITE A-/Stable (Assigned)
Short Term Rating	ACUITE A2+ (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned a long term rating of **'ACUITE A-' (read as ACUITE A minus)** and short term rating of **'ACUITE A2+' (read as ACUITE A two plus)** to the above mentioned bank facilities of R K D Construction Private Ltd (RKDCPL). The outlook is **'Stable'**.

RKD Construction Pvt Ltd was started as a proprietorship firm in 1980 by Mr. Rohit Kumar Das and was engaged in civil construction activities for road and national highway projects. The constitution was changed to a closely held company in 1996. Currently, the second-generation promoters are also actively involved in the business. Till date, the company has executed projects primarily in the state of Odisha.

Analytical Approach

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

Key Rating Drivers

Strengths

Experience management and healthy order book

RKD was incorporated in 1996 by Mr. Rohit Kumar Das who possess almost 4 decades of experience in construction business through the erstwhile proprietorship entity. Presently company is managed by Mr Rohit Kumar Das and family members including his son, nephew and brother. Over the years, company has developed expertise in road and highway construction through successful completion of large projects in Odisha. The current order book of Rs. 1476 crores imparts strong revenue visibility over the medium term. The present order book comprise of around 70 percent issued by NHAI towards construction, upgrading and widening of highways in Odisha. Acuité derives comfort from the long experience of the promoters in the civil construction space and strong order book position.

Healthy financial risk profile

The healthy financial risk profile of the RKDCPL is marked by its healthy net worth, low gearing ratio and comfortable debt protection metrics. The net worth stood at Rs. 143.44 Cr. as on 31st March'2019 as compared to Rs 130.75 Cr. in the previous year. The gearing of the company had increased marginally to 1.14 times as on 31st March 2019 as against 0.99 times as on 31st March, 2018 because of equipment purchase which was debt funded. The total debt of Rs.164.19 crore in FY2019 consists of short-term loan of Rs.63.40crores, mobilization advance of Rs.34.66 crores, unsecured loan from promoters of Rs.4.26 crore and long-term debt of Rs.61.85 crores. RKDCPL's interest coverage ratio stood at 2.35 times as on 31st March, 2019 as against 2.23 times as on 31st March, 2018. DSCR of the company stood at 1.31 times in FY19 in comparison to 1.38 times in FY18.The Net Cash accruals to Total Debt (NCA/TD) stood at 0.14 times in FY2019 as compared to 0.16 times in the previous year. Going forward, Acuité believes the financial risk profile to remain healthy over the medium term backed by steady accruals and absence of any large debt funded capex plan.

Healthy profitability margins

The company has consistently earned healthy profitability margins both at the operating and net level. The operating margin of the company stood at 16.74 percent in FY19 as compared to15.39 percent in FY18. The company's operating margins have witnessed an improving trend in the past 3 years driven by the company's selection of projects being bid for. Moreover, the profit after tax (PAT) margins of the company stood at 4.7 percent in FY'19 as against 4.18 percent in the preceding year. Acuité believes that the company will maintain their profit margins over the medium term driven by their selection of projects and management's focus towards the bottomline.

Weaknesses

Working capital intensive

The company has high working capital intensity as evident from its high gross current asset (GCA) days of 330 days in FY'19 and 275 days in the previous year. The high GCA days are due to high work in progress inventory of around 109 days and debtors of around 97 days as on March 31, 2019. The high GCA days are also due to high Other Current Assets of Rs. 159 crores as on March 31, 2019, which comprises of Rs 48.64 crores of GST, Rs 75.69 crores of TDS, Rs10.06 crores of loan to employee, Rs. 9.10 crores of advance to different parties among others.

High geographical and segmental concentration

The company since inception has worked on projects in Odisha and their order book is also entirely from projects in Odisha thus reflecting on high geographical concentration. Also, the company has executed mainly road and highway projects which comprise of their current order book as well thus implying high segmental concentration. However, the company is planning to bid for projects in Maharashtra and Karnataka which will partly mitigate the geographical concentration risk.

Rating Sensitivity

- Substantial improvement in the scale of operation along with improvement in profitability margins.
- Improvement in working capital cycle.

Material Covenant

None

Liquidity Profile: Adequate

The company has adequate liquidity profile as working capital utilization during 12 month ended December 2019 stood at around 68 percent. However company had high GCA days of 330 days during FY19 as against as 275 days in FY18. In addition, company's net cash accrual stood at Rs 22.34 crores in FY19 as against current maturity of Rs. 10.15 crores. Current ratio stood at 1.1 times in FY19 as against 1.06 times in FY18. RKD has high-unencumbered cash & bank of Rs 24.22 crores during FY19. Acuite believes liquidity profile will remain adequate in medium term backed by absence of large debt led capex plan and healthy net cash accrual

Outlook: Stable

Acuité believes the outlook on RKDCPL rated facilities will remain 'Stable' over the medium term backed by its long track record of operations. The outlook may be revised to 'Positive' if the company is able to improvement its scale of operation along with sustenance in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of further decline in scale of operation or further elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	270.27	277.10
PAT	Rs. Cr.	12.69	11.58
PAT Margin	(%)	4.70	4.18

Total Debt/Tangible Net Worth	Times	1.14	0.99
PBDIT/Interest	Times	2.35	2.23

Any other information

Not Applicable

Applicable Criteria

- Default Recognition -https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	94.50	ACUITE A-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	315.50	ACUITE A2+ (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A-/Stable (Assigned)

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About Acuité Ratings & Research:

Acuité 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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