

## Press Release

**R K D Construction Private Limited**

February 05, 2021



**Rating Upgraded and Assigned**

<b>Total Bank Facilities Rated*</b>	Rs. 445.00 Cr. (Enhanced from Rs 435.00 Cr)
<b>Long Term Rating</b>	ACUITÉ A/Stable (Upgraded)
<b>Short Term Rating</b>	ACUITÉ A1 (Upgraded)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long term rating to '**ACUITÉ A**' (**read as ACUITE A**) from '**ACUITÉ A-**' (**read as ACUITE A minus**) and short term rating to '**ACUITÉ A1**' (**read as ACUITE A one**) from '**ACUITÉ A2+**' (**read as ACUITE A two plus**) on the Rs 445.00 Cr. bank facilities of R K D Construction Private Ltd (RKD). The outlook is '**Stable**'.

The rating upgrade reflects a substantial improvement in the overall business and financial risk profile of the company. The improvement in the business risk profile is visible from their increased scale of operation in FY'20 as compared to the preceding years due to strong execution of orders. The growth in revenue is expected to be sustained in medium term backed by healthy order book size of Rs 2046 Cr. The scale of operation is expected to further improve in FY21 as company posted revenue of Rs 313 Cr till December 2020(Provisional). Moreover, the company has witnessed a sharp improvement in its capital structure and debt protection ratios due to sustenance of healthy profitability margin.

RKD Construction Private Limited 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 managing the business. The company has executed projects primarily in the state of Odisha and Jharkhand.

### Analytical Approach

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

### Key Rating Drivers

#### **Strengths**

##### **Experience management and healthy order book**

RKD was founded by Mr. Rohit Kumar Das in 1996. Presently the company is managed by second generation promoters. Current management has more than two decades of experience in construction business. 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. 2046.16 Cr. imparts strong revenue visibility over the medium term. The orders comprise of around 75 percent issue by NHAI towards construction, upgrading and widening of highways in Odisha and Jharkhand. In FY21, the company had witnessed strong order flow as RKD had bagged fresh orders of around Rs 948 Cr. from NHAI and South Eastern Railway. RKD's scale of operation had witnessed a substantial improvement as reflected from revenue of Rs 474.45 Cr in FY20 as against 270.27 Cr in FY19. Acuite believes the scale of operation will continue to improve in medium term backed by its healthy order book size.

## Healthy financial profile

The financial risk profile of the RKD is marked by its healthy net worth, modest gearing ratio and comfortable debt protection metrics. The net worth stood at Rs. 174.70 Cr. as on 31st March'2020 as compared to Rs 143.44 Cr. in the previous year. The gearing of the company had increased marginally to 1.28 times as on 31st March 2020 as against 1.14 times as on 31st March, 2019 because of equipment purchase which was debt funded. The total debt of Rs.223.38 Cr in FY2020 consists of long-term debt of Rs.80.25 Cr, Mobilization advance of Rs.83.65 Cr, Short term borrowing of Rs 38.12 Cr and unsecured loan from promoters of Rs.1.36 Cr. TOL/TNW stood at 1.96 times in FY20 as against 2.69 times in FY19.RKD's interest coverage ratio stood at 3.04 times as on 31st March, 2020 as against 2.35 times as on 31st March, 2019.DSCR of the company stood at 1.93 times in FY20 in comparison to 2.69 times in FY20. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.20 times in FY2020 as compared to 0.14 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 no major debt funded capex plans.

## Healthy profitability margins

The company has healthy profitability margins both at the operating and net level. The operating margin of the company stood at 16.12 percent in FY'20 as compared to 16.74 percent in FY'19. The profit after tax (PAT) margins of the company stood at 6.59 percent in FY'20 as against 4.70 percent in the preceding year. The healthy profit margins have been from execution of complex road projects issued by NHAI. Acuité believes that the company will maintain their profit margins over the medium term as major portion of existing orders are road projects which are mostly issued by NHAI.

## Weaknesses

### High segmental and geographical concentration

The company since inception has worked on projects primarily in Odisha. Recently, the company has bagged fresh order in Jharkhand worth of Rs 862 Cr. issued by NHAI which will help to diversify its presence outside their home territory. Moreover, the company has executed mainly road and highway projects which comprise of their current order book as well thus implying high segmental concentration. However, management is planning to bid for more orders from Indian Railways in order to reduce its segmental concentration.

### Working capital intensive operations

The operations of the company are working capital intensive as reflected from their historical Gross Current Asset (GCA) days. The GCA days have however come down to 152 days as on March'20 as compared to 330 days in the preceding year. The drastic reduction in GCA days as on March 31, 2020 is mainly due to steep decrease in inventory levels as work pace had decelerated from February'20 onwards on account of the global pandemic. With construction pace picking up fast since Q2'21, the inventory levels have started rising. The debtor levels have been on the higher side primarily due to work execution with Government authorities. Acuité believes that the operations of the company will continue to be working capital intensive which is inherent to the infrastructure industry.

### Rating Sensitivity

- Sustenance in turnover growth and profit margins
- Continuous order flow

### Material Covenant

None

### Liquidity Profile: Adequate

The company has an adequate liquidity profile as working capital utilization during 12 months ended December 2020 stood at around 43 percent. Company's net cash accrual stood at Rs 44.03 Cr in FY20 as against current maturity of Rs.19.95 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 60-100 Cr as against current maturity of around Rs.38 Cr from FY21-FY23. RKD has high-unencumbered cash & bank of Rs 35.34 Cr during FY20. In addition, the company had witnessed an improvement in GCA days as it stood at 152 days in FY20 as against 330 days in FY19 due to decline in inventory level. Current ratio stood at 1.15 times in FY20 as against 1.11 times in FY19.Acuite believes liquidity profile will remain adequate in

medium term backed by healthy net cash accrual.

### **Outlook: Stable**

Acuité believes the outlook on RKD will remain 'Stable' over the medium term backed by its long track record of operations, strong order book position and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company is able to ramp up its scale of operation along with sustenance in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile due to increase in working capital requirement.

### **About the Rated Entity - Key Financials**

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	474.45	270.27
PAT	Rs. Cr.	31.26	12.69
PAT Margin	(%)	6.59	4.70
Total Debt/Tangible Net Worth	Times	1.28	1.14
PBDIT/Interest	Times	3.04	2.35

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

RKD is listed under the 'Non Co-operation by the issuer' category by CRISIL due to inadequate information provided by the company.

### **Any other information**

Not Applicable

### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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
06 - March 2020	Cash Credit	Long Term	94.50	ACUITE A-/Stable (Assigned)
	Bank Guarantee	Short Term	315.50	ACUITE A2+ (Assigned)
	Overdraft	Long Term	10.00	ACUITE A-/Stable (Assigned)
	Proposed Term Loan	Long Term	15.00	ACUITE A-/Stable (Assigned)

**\*Annexure – Details of instruments rated**

<b>Name of the Facilities</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue</b>	<b>Ratings/Outlook</b>
Cash Credit	Not Applicable	Not Applicable	Not Applicable	47.50	ACUITE A/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30	ACUITE A1 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	50	ACUITE A1 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35	ACUITE A1 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	19	ACUITE A1 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	44	ACUITE A1 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10	ACUITE A1 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	127.50	ACUITE A1 (Upgraded)
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A/Stable (Upgraded)

Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A1 (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A/Stable (Upgraded)

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**About Acuité Ratings & Research:**

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