

## Press Release

R K D Construction Private Limited

March 07, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	113.50	ACUITE A   Stable   Reaffirmed	-
Bank Loan Ratings	291.00	-	ACUITE A1   Assigned
Bank Loan Ratings	325.50	-	ACUITE A1   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	730.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITÉ A**' (read as **ACUITE A**) and short term rating of '**ACUITÉ A1**' (read as **ACUITE A one**) on the Rs 439.00 Cr. bank facilities of R K D Construction Private Ltd (RKD). The outlook is '**Stable**'.

Acuite has assigned the short term rating of '**ACUITÉ A1**' (read as **ACUITE A one**) on the Rs 291.00 Cr. bank facilities of R K D Construction Private Ltd (RKD).

The rating continues to reflect RKD's healthy business profile supported by its strong project execution capabilities and long track record of work execution in the road and highway sector. The rating also factors in the company's sound financial risk profile marked by a conservative capital structure and comfortable coverage ratios. These rating strengths are partially offset by RKD's high exposure to the road sector and the intensity of competition in construction business.

### About the Company

RKD Construction Private Limited was started as a proprietorship firm in 1980 by Late 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 company is managed by Mr Rohan Kumar Das. The company has executed projects primarily in the state of Odisha.

### Analytical Approach

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

## Key Rating Drivers

### Strengths

#### Long operational track record and strong order book

RKD was founded by Late 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 unexecuted order book of Rs. 2057 Cr. imparts strong revenue visibility over the medium term. The orders comprise around 66 percent issue by NHAI towards construction, upgrading and widening of highways in Odisha and Jharkhand. This includes the HAM project of Rs 1034.65 Cr which was bagged in FY21 through its subsidiary concern i.e. Palma Gumla Highways Pvt Ltd( rated at Acuité A/ Stable).The execution of HAM project is yet to begin as appointment date is still pending. The EPC contractor for the said project is RKD and order value of the EPC contract is around Rs 935 Cr. Further,the company had witnessed strong order flow as RKD had bagged fresh orders of around Rs 386 Cr. from various state government agencies during 9MFY22.Acuite believes that high budgetary allocations toward road sector by Government of India will improve the overall order flow in this segment over the medium term.

#### Health scale of operation

RKD's scale of operation stood at health levels as reflected from revenue of Rs 503.67 Cr in FY21 as against 474.45 Cr in FY20.The company is likely to witness healthy revenue growth in FY22 as RKD has already registered revenue of Rs 435 Cr during 9MFY22(Provisional).Acuite believes the scale of operation will improve in medium term backed by its healthy order book size.

#### Comfortable financial risk profile

The financial risk profile of the RKD is marked by its healthy net worth, low gearing ratio and comfortable debt protection metrics. The net worth stood at Rs.206.71Cr. as on 31st March'2021 as compared to Rs 174.70 Cr. in the previous year due to retention of profit. The gearing of the company stood at 0.67 times as on 31st March 2021 as against 0.80 times as on 31st March, 2020.TOL/TNW stood at 1.56 times in FY21 as against 1.96 times in FY20.RKD's interest coverage ratio stood at 3.58 times as on 31st March, 2021 as against 3.04 times as on 31st March, 2020.DSCR of the company stood at 1.63 times in FY21 in comparison to1.93 times in FY20. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.34 times in FY2021 as compared to 0.32 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.

#### Stable profitability margins

The company has healthy profitability margins both at the operating and net level. The operating margin of the company stood at 15.18 percent in FY'21 as compared to 16.12 percent in FY'20. Reason for decline in operating margin is rise in employee and subcontracting expenses. The profit after tax (PAT) margins of the company stood at 6.36 percent in FY'21 as against 6.59 percent in the preceding year. The company is expected to post healthy profit margin in FY22 as RKD has posted an EBITDA margin of 17 percent during 9MFY22(Provisional). 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. In FY21, the company has bagged a HAM project in Jharkhand worth of Rs 935 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 around 90 percent of the current order book as well thus implying high segmental concentration. However, management is planning to bid for irrigation orders from state government agencies 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. GCA days stood at 150 days in FY21 as against 152 days in FY20 due to high debtor days. Debtor days stood high at 50 days in FY21 because of stretched receivables from different government agencies. However inventory days stood modest at 34 days in FY21 as compared to 36 days in FY20. Acuité believes the operation of the company will continue to remain working capital intensive because of stretched receivables.

### **Rating Sensitivities**

- Sustained and substantial revenue growth along with maintenance stable profit margin
- Diversification in order book through addition fresh orders in new geographical locations

### **Material covenants**

Not Applicable

### **Liquidity profile: Adequate**

The company has an adequate liquidity profile as net cash accrual stood at Rs 46 Cr in FY21 as against current maturity of Rs.22 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 60-70 Cr as against current maturity of around Rs.24 Cr from FY23-FY24. RKD has high-unencumbered cash & bank balance of Rs 34 Cr in March 21. The working capital utilization during 6 months ended Jan 2022 stood at around 87 percent. Current ratio stood at 1.16 times in FY21 as against 1.15 times in FY20. However GCA days continue to remain high at 150 days in FY21. Acuité 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 with substantial improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of substantial deterioration in liquidity or financial risk profile due to increase in working capital requirement.

### **Key Financials**

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	503.67	474.45
PAT	Rs. Cr.	32.01	31.26
PAT Margin	(%)	6.36	6.59
Total Debt/Tangible Net Worth	Times	0.67	0.80
PBDIT/Interest	Times	3.58	3.04

### **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 as on 24 September 2021.

**Any other information**

Not Applicable

**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**<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Feb 2021	Proposed Bank Guarantee	Short Term	10.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	35.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Term Loan	Long Term	15.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Bank Guarantee	Short Term	30.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	1.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	10.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Bank Guarantee	Short Term	19.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	24.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	5.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Secured Overdraft	Long Term	10.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Bank Guarantee	Short Term	127.50	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	47.50	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Bank Guarantee	Short Term	10.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	7.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Bank Guarantee	Short Term	50.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee	Short Term	44.00	ACUITE A1 (Upgraded from ACUITE A2+)
06 Mar 2020	Proposed Term Loan	Long Term	15.00	ACUITE A-   Stable (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	94.50	ACUITE A-   Stable (Assigned)
	Bank Guarantee	Short Term	315.50	ACUITE A2+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A1   Reaffirmed
IDBI Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A1   Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A1   Reaffirmed
Punjab and Sind Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A1   Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A1   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	44.00	ACUITE A1   Reaffirmed
Karnataka Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A1   Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	114.50	ACUITE A1   Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A1   Assigned
Karnataka Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A1   Assigned
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	41.00	ACUITE A1   Assigned
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A1   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.50	ACUITE A   Stable   Reaffirmed
IDBI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A   Stable   Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A   Stable   Reaffirmed
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A   Stable   Reaffirmed

Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A   Stable   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A   Stable   Reaffirmed
Karnataka Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A1   Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	140.00	ACUITE A1   Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A   Stable   Reaffirmed



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### About Acuité Ratings & Research

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