

Press Release

R K D Construction Private Limited

April 05, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	114.50	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	615.50	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	730.00	-	-

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 730.00 Cr. bank facilities of R K D Construction Private Ltd (RKD). The outlook remains '**Stable**'.

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 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

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, the company has developed expertise in road and highway construction through successful completion of large projects in Odisha.

Healthy scale of operations coupled with strong order book

RKD's scale of operation stood at healthy levels as reflected from revenue of Rs. 627.17 Cr in FY22 as against Rs. 503.67 Cr in FY21. The company is likely to witness healthy revenue growth in FY23 as RKD has already registered revenue of Rs. 521.66 Cr during 9MFY23(Provisional). The unexecuted order book of Rs. 2204.17 Cr as on December, 2022 (PY Rs. 2057 Cr as on 31.12.2021) imparts strong revenue visibility over the medium term. The orders comprise around 70 per cent issue by NHAI towards construction, upgrading and widening of highways in Odisha and Jharkhand. This includes the HAM project of Rs. 929.35 Cr (PY 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). Acuite believes that the scale of operation will improve in medium term backed by its strong order book size and high budgetary allocations toward road sector by Government of India.

Stable profitability margins

The company has healthy profitability margins both at the operating and net level. The operating margin of the company stood at 13.37 percent in FY2022 as compared to 15.03 percent in FY2021. The decline in operating margin is due to rise in employee and subcontracting expenses. The profit after tax (PAT) margins of the company stood at 5.15 percent in FY2022 as against 6.36 per cent in the preceding year. Acuite 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.

Healthy financial risk profile

The financial risk profile of the company is healthy marked by healthy net worth, low gearing and moderately comfortable debt protection metrics. The net worth of the company stood at Rs.239.04 Cr as on March 31, 2022 as compared to Rs.206.71 Cr as on March 31, 2021. The gearing of the company stood low at 0.67 times as on March 31, 2022 as compared to 0.85 times as on March 31, 2021. TOL/TNW stood moderate at 1.34 times as on March 31, 2022 as against 1.56 times as on March 31, 2021. The moderately comfortable debt protection metrics of the company is marked by Interest coverage ratio (ICR) at 3.60 times in FY2022 and debt service coverage ratio (DSCR) at 1.17 times in FY2022. The net cash accruals against total debt (NCA/TD) stood low at 0.29 times as on March 31, 2022 similar as previous year. Acuite believes the financial risk profile of the company will remain healthy over the medium term backed by absence of any large debt led capex plan.

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. 1035 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.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Adequate

The company has adequate liquidity profile as reflected from its net cash accrual of Rs. 47.22 Cr in FY2022 as against current maturity of Rs. 35.46 Cr. The fund based bank limit utilization of 9 months ended December 2022 stood at around 77 per cent. The current ratio stood moderate at 1.29 times in FY22. However, the moderate working capital management of the

company is marked by Gross Current Assets (GCA) of 100 days as on 31st March 2022 as compared to 131 days as on 31st March 2021. Acuite expects the liquidity position of MCMIL to remain adequate over the medium term backed by steady accruals.

Outlook: Stable

Acuite 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 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	627.17	503.67
PAT	Rs. Cr.	32.33	32.01
PAT Margin	(%)	5.15	6.36
Total Debt/Tangible Net Worth	Times	0.67	0.85
PBDIT/Interest	Times	3.60	3.58

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

Not Applicable

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

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
	Cash Credit	Long Term	12.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A1 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	140.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	13.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A1 (Reaffirmed)

07 Mar 2022	Bank Guarantee	Short Term	19.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	35.50	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	45.00	ACUITE A1 (Assigned)
	Proposed Bank Guarantee	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	35.00	ACUITE A1 (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	41.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	44.00	ACUITE A1 (Reaffirmed)
	Proposed Bank Facility	Long Term	13.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	114.50	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	44.00	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)
05 Feb 2021		Short		
	Bank Guarantee	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+)
	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+)
06 Mar 2020	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)
	Proposed Term Loan	Long Term	15.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	78.00	ACUITE A1 Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE A1 Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	44.00	ACUITE A1 Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	36.00	ACUITE A1 Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A1 Reaffirmed
Punjab and Sind Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	90.00	ACUITE A1 Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	177.50	ACUITE A1 Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A1 Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A1 Reaffirmed
Karnataka Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A1 Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE A Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	47.50	ACUITE A Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A Stable Reaffirmed
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A Stable Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE A Stable Reaffirmed

Karnataka Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A Stable Reaffirmed
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Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Kaustav Saha Manager-Rating Operations Tel: 022-49294065 kaustav.saha@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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