



Press Release
R K D Construction Private Limited
April 30, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE A Stable Assigned	-
Bank Loan Ratings	114.50	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	235.00	-	ACUITE A1 Assigned
Bank Loan Ratings	615.50	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	995.00	-	-

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 Limited (RKD). Acuite has also assigned its long-term rating '**ACUITÉ A**' (read as **ACUITE A**) and short-term rating of '**ACUITÉ A1**' (read as **ACUITE A one**) on the Rs 265.00 Cr. bank facilities of R K D Construction Private Limited. The outlook remains '**Stable**'.

Rationale for reaffirmation and assignment

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 growth recorded in the operating revenues along with stable operating profitability margins. The company recorded revenue of Rs.746.88 Cr in FY2023 against Rs.627.17 Cr in FY2022. Further, the revenue is estimated to be at around Rs.810.00 Cr in FY2024. The rating also takes comfort from the strong outstanding order book position of Rs.2978.48 Cr as of February 2024, executable in the next 24-30 months, reflecting healthy revenue visibility over the medium term.

Furthermore, the financial risk profile continues to remain healthy marked by a conservative capital structure and comfortable coverage ratios. The working capital operations of the company remain moderately intensive with GCA days of 104 days in FY2023 against 100 days in FY2022 with moderate reliance on fund-based working capital limits.

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.

Not Applicable

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

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.

The revenue of the company grew by ~19% in FY2023 to Rs.746.88 Cr from Rs.627.17 Cr in FY2022. Further, the company has achieved a revenue of Rs.573.82 Cr in 9MFY2024 and is estimated to achieve revenue of ~Rs.810.00 Cr in FY2024.

The growth in revenue is supported by a strong order book position of Rs.2978.48 Cr as of February 2024, executable in next 24-30 months, reflecting healthy revenue visibility over the medium term. The duration of the contract depends on the size and nature of work to be done.

The operating profit margin of the company remained stable at 13.20 % in FY2023 against 13.37 % in FY2022. It is further estimated to remain in the similar range over the medium term.

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.286.99 Cr as on March 31, 2023 as compared to Rs.239.04 Cr as on March 31, 2022. The total debt of the company increased to Rs.221.39 Cr as of March 31, 2023 against Rs.160.23 Cr as of March 31, 2022. The increase in debt is primarily on account of increase in long term borrowings taken for the capex involving, procurement of new equipment's, adding more vehicles and replacing redundant assets. The gearing of the company stood low at 0.77 times as on March 31, 2023 as compared to 0.67 times as on March 31, 2022. TOL/TNW stood moderate at 1.44 times as on March 31, 2023 as against 1.34 times as on March 31, 2022. The moderately comfortable debt protection metrics of the company is marked by Interest coverage ratio (ICR) of 3.97 times in FY2023 and debt service coverage ratio (DSCR) of 1.81 times in FY2023. The net cash accruals against total debt (NCA/TD) stood low at 0.30 times as on March 31, 2023 against 0.29 in the previous year. Acuité believes that the financial risk profile of the company will remain healthy over the medium term in absence of any large debt led capex plan.

Weaknesses

Tender based nature of operations and competitive industry

The company majorly executes government road construction/widening projects. The revenue of the company is highly dependent on the number and value of tenders floated by the Government. Since the nature of operations is tender based, the business depends on the ability to bid for contracts successfully. However, the company has a healthy outstanding order book position on the back of which this risk is reduced upto certain extent. Acuité believes that the ability of the firm to maintain the scale of operations along with profitability would be the key rating sensitivity factor over the medium term.

Rating Sensitivities

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

Liquidity Position

Adequate

The company has adequate liquidity profile as reflected from its net cash accrual of Rs. 65.42 Cr in FY2023 as against current maturity of Rs. 22.66 Cr. Further, the company is expected to generate cash accruals in the range of Rs.71.89 Cr to 83.83 Cr during FY2024 & FY2025 against repayment obligation of Rs.29.66-25.00 Cr during the same period. The fund-based bank limit utilization of 12 months ended January 2024 stood at around 80 per cent. The current ratio stood moderate at 1.38 times in FY2023. 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 the company to remain adequate over the medium term backed by steady accruals.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	746.88	627.17
PAT	Rs. Cr.	47.95	32.33
PAT Margin	(%)	6.42	5.15
Total Debt/Tangible Net Worth	Times	0.77	0.67
PBDIT/Interest	Times	3.97	3.60

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

Not Applicable

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
05 Apr 2023	Bank Guarantee/Letter of Guarantee	Short Term	50.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	90.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	177.50	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	50.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	40.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	5.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	78.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	45.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	44.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	36.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	47.50	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE A Stable (Reaffirmed)
	Secured Overdraft	Long Term	9.00	ACUITE A Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	14.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	21.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE A Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	140.00	ACUITE A1 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	13.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	30.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	50.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	45.00	ACUITE A1 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	35.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	19.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of	Short		

07 Mar 2022	Guarantee	Term	44.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	41.00	ACUITE A1 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A1 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	114.50	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	50.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	12.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	35.50	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE A Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	13.00	ACUITE A Stable (Reaffirmed)
05 Feb 2021	Cash Credit	Long Term	47.50	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	24.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	1.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	7.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Secured Overdraft	Long Term	10.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Proposed Long Term Loan	Long Term	15.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	50.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	35.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	19.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	44.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A1 (Upgraded from ACUITE A2+)

	Bank Guarantee (BLR)	Short Term	127.50	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Bank Guarantee	Short Term	10.00	ACUITE A1 (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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	78.00	ACUITE A1 Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A1 Reaffirmed
Punjab and Sind Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	90.00	ACUITE A1 Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	177.50	ACUITE A1 Reaffirmed
Union Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A1 Reaffirmed
Union Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A1 Reaffirmed
Karnataka Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A1 Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	45.00	ACUITE A1 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	44.00	ACUITE A1 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	36.00	ACUITE A1 Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	85.00	ACUITE A1 Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	47.50	ACUITE A Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE A Stable Reaffirmed

Punjab and Sind Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE A Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.00	ACUITE A Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	150.00	ACUITE A1 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.00	ACUITE A Stable Reaffirmed
Karnataka Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE A Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Pradeep Singh Senior Analyst-Rating Operations Tel: 022-49294065 pradeep.singh@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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