Press Release

Ramacivil India Construction Private Limited

April 09, 2020

Rating Assigned

Total Bank Facilities Rated*	Rs.300.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable
Short Term Rating	ACUITE A2+

** Refer Annexure for details*

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BBB+**' **(read as ACUITE triple B plus)** and short term rating to **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs.300.00 crore bank facilities of RAMACIVIL INDIA CONSTRUCTION PRIVATE LIMITED. The outlook is **'Stable'**.

The rating assigned takes into account the long track record of operations of Ramacivil India Construction Private Limited (RCPL) in the construction and Infrastructure sector, ability of execute large projects leading to improvement in the operational performance, reputed client base and healthy order book position thus providing revenue visibility over the medium term. The rating also factor in the improvement in the financial risk profile and profitability of the company. The rating is however constrained on account of moderate profitability margins, working capital intensive nature of operations and customer concentrated order book position.

About the company

New Delhi-based Ramacivil India Construction Private Limited (RCPL) was established as a partnership concern in 1972 by Mr. Ram Gupta and later in 2017 the constitution was changed to Private Limited. It is engaged in the business of contract-based construction work for reputed companies such as Central Public Work Department (CPWD), National Building Construction Corporation (NBCC), and Airport Authority of India (AAI) among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the RCPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and reputed clientele**
  RCPL has been present in the construction and infrastructure industry for over four decades which has enabled the company to establish strong relations with its customers as well as with suppliers and also have a strong market position. The company is promoted by Mr. Ram Niwas Gupta who has been associated with the company since its association which gives him an experience of more than four decades. The established track record of operations coupled with experienced management has helped the company maintain a healthy order book position. RCPL has an unexecuted order book position of ~Rs.2040 crore as of 18 February 2020, thereby giving a healthy revenue visibility over the medium-term. Further, the company caters to reputed clientele such Central Public Work Department (CPWD), National Building Construction Corporation (NBCC), and Hospital Services Consultancy Corporation Ltd to name a few
  Acuité believes that the company will continue to derive benefit from its promoter's experience, healthy order book position and strong relations with its customers and suppliers.

- **Healthy financial risk profile**
  The financial risk profile of the company stood healthy marked by healthy net worth, coverage indicators, and low gearing. The net worth of the company improved and stood at Rs.78.14 crore as on 31 March 2019 as against Rs.51.67 crore as on 31 March 2018 on account pf healthy accretion to

reserves, the latter is a result of moderate operating margins.

The company has followed a conservative financial policy in the past, the same is also reflected through its low gearing levels. The gearing level (debt-equity) stood at 0.03 times as on 31 March 2019 as against 0.15 times as on 31 March 2018. The gearing of the company is expected to remain low over the medium term on account of the absence of any debt-funded Capex plans and modest incremental working capital requirements, which is likely to be funded by the cash accruals of the company. The total debt of Rs.2.52 crore outstanding as on 31 March 2019 consist of long-term debt of Rs.1.22 crore, unsecured loans of Rs.0.25 crore and working capital requirements of Rs.1.05 crore.

The EBITDA margins stood at 6.18 per cent in FY2019 as against 5.70 per cent in the previous year. The moderate profitability levels vis-à-vis lower debt level has resulted in a healthy debt protection metric. The interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 10.79 times and 7.80 times respectively in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 11.19 times in FY2019 and Debt-EBITDA stood at 0.06 times in FY2019. Further, total outside liabilities to tangible net worth (TOL/TNW) stood at 2.73 times as on 31 March 2019 as against 3.04 times as on 31 March 2018.

Acuité believes that the financial risk profile of the company is expected to remain moderate backed by healthy order book position leading to healthy net cash accruals in near to medium-term.

- **Continued growth in operating income supported by healthy order book position albeit moderate profitability**
  The operating income of RCPL grew at ~72 percent in FY2019 over FY2018 on account of a healthy order book position. The operating income stood at Rs.643.36 crore in FY2019, Rs.374.46 crore in FY2018 and Rs.329.64 crore in FY2017. Further, the operating income stood at Rs.491.9 crore for 9MFY2020. The operating margins of the company have remained moderate for the last period under study however, the operating margins improved to 6.18 percent in FY2019 from 5.70 percent in FY2018. The PAT margins stood healthy in the range of 3.50-4.50 percent during the last three years.

Weaknesses

- **Moderate working capital management**
  RCPL's working capital cycle has improved in FY2019 over FY2018. However, the working capital cycle is still moderate marked by Gross Current Asset (GCA) stood of 120 days in FY2019 as against 138 days in FY2018. This is majorly on the account of debtors' collection period of 87 days in FY2019 as against 108 days in the previous year Further, the current ratio of the company stood average at 1.17 times as on 31 March , 2019.
  However, Acuité believes efficient working capital management will remain a key factor.

- **Competitive industry and customer concentration risk**
  RCPL is engaged as a civil contractor. This particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. The risk becomes more pronounced as the tendering is based on minimum amount of biding on contracts. However, this risk is mitigated to an extent on account of extensive experience of the management. Further, the company faces customer concentration as the top two customers contribute more than 75 percent of the revenue.

Rating Sensitivities

- Significant improvement in the profitability of the company.
- Deterioration in working capital cycle and liquidity profile of the company.

Material Covenants

None

Liquidity Position: Strong

The company has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. RCPL generated cash accruals of Rs.28.22 crore in FY2019 against debt obligations of Rs.0.09 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.31 crore to Rs.36 crore during FY2020-22 against repayment obligations in the range of Rs.0.53 crore to Rs.0.69 crore for the same period. The average fund-based working capital utilization stood at ~33.00 percent for the past six months ended January 2020. The company maintained unencumbered cash and bank balances of Rs.7.61 crore as on 31 March 2019. The current ratio stands at 1.17 times as on 31 March 2019. Acuité believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes RCPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management, moderate revenue visibility, and comfortable debt protection metrics. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while significant improvement in operating margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital management, thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	643.36	374.46
PAT	Rs. Cr.	26.47	14.41
PAT Margin	(%)	4.12	3.85
Total Debt/Tangible Net Worth	Times	0.03	0.15
PBDIT/Interest	Times	10.79	13.03

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

CARE, vide its press release dated Feb 19, 2020 had denoted the rating of Ramacivil India Construction Private Limited as 'CARE BBB/Stable/CRISIL A3+ (ISSUER NOT COOPERATING)' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

• Infrastructure Entities - https://www.acuite.in/view-rating-criteria-51.htm
• Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
• 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 (Up to last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	**Date of Issuance**	**Coupon Rate**	**Maturity Date**	**Size of the Issue (Rs. Cr.)**	**Ratings/Outlook**
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB+ / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	213.00	ACUITE A2+ (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	80.00	ACUITE A2+ (Assigned)

Contacts

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