



Press Release
Ramacivil India Construction Private Limited
August 16, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	295.00	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	300.00	-	-

Rating Rationale

Acuite has upgraded in its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB**' (read as **ACUITE double B**) and short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs. 300 Cr. bank facilities of Ramacivil India Construction Private Limited. The outlook is '**Stable**'.

Rationale for Rating

The rating upgrade reflects an improvement in RICPL's business risk profile and a healthy order book. It has its exposure in various States and a healthy order book which provides it with revenue visibility. Furthermore, the company's financial risk profile is healthy reflected by improving net worth, low gearing, comfortable debt protection metrics and adequate liquidity position. The company has adequate liquidity such as free fixed deposits and other investments to meet any kind of contingency.

The legal proceedings are currently pending under the Delhi High Court and any adverse decision in favour of National Buildings Construction Company (NBCC) can impact on the liquidity profile of the company. This potential consequence will remain a significant sensitivity factor over the medium term.

The rating also draws comfort from the longstanding operations of the company, extensive experience of the promoters in the infrastructure industry. However, the rating is constrained by the moderate working capital management and presence of being in a competitive and fragmented construction industry.

About the Company

Delhi based, Ramacivil India Construction Private Limited was established as a partnership concern in 1972 by Mr. Ram Gupta and later was incorporated in 2017 the constitution was changed to private limited. It is engaged in contract-based building construction work mainly for organizations such as Central Public Works Department (CPWD), Delhi Public Works Department (DPWD) and others. Company is super class contractor which gives them the leverage to bid for projects of around Rs.500.00 Cr. Currently the company is managed by Mr. Parveen Gupta & Mr. Gautam Gupta.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management

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 which was at Rs. 2870.75 Cr. as on 30th June 2024 and the OB/OI was at 2.77 times as on that date. Acuite 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.

Increase in Revenue Growth

RCPL has achieved revenues of Rs.1035.31 crore in FY2024 (Provisional) as compared to revenues of Rs. 867.73 crore in FY2023 and Rs. 693.64 crore in FY2022. The increase was on account of a healthy order book position and majority of project being under work-in-progress. The company had participated in an order book of Rs.6050 Cr. but due to elections code of conduct, the tender results were not declared and are expected to be declared by end FY2025. The company has attained a revenue of ~Rs. 56 Cr. in two months ended May 2025.

The EBITDA margin stood at 5.73 percent in FY24 (Prov.) as against 5.42 percent in FY23 and 4.76 percent in FY22. The slight increase is directly attributable to higher revenues against better absorption of fixed costs of company. The profitability margin depends on company's selection of projects being bid for. The PAT margin stood at 4.12 percent in FY24 (Prov.) as against 3.36 percent in FY23 and 3.30 percent in FY22. The increase was mainly from interest received from fixed deposits and others. The RoCE stood at 28.70 percent in FY24 (Prov.) as against 28.60 percent in FY23 and 24.18 percent in FY22. Acuite believes the scale of operation will improve over the medium term backed by healthy order flow.

Healthy Financial Risk Profile

The company's financial risk profile is healthy reflected by improving net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company increased to Rs.224.04 crore in FY2024 (Prov.) from Rs.181.41 crore in FY2023 due to accretion to reserves. Gearing of the company stood below unity at 0.17 times in FY2024 (Prov.) as against 0.03 times in FY2023 and 0.08 times in FY22. 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 incremental working capital requirements, which is likely to be funded by the cash accruals of the company. The interest coverage ratio of the company improved to 9.08 times in FY24 (Prov.) as against 8.49 times in FY2023 and 9.02 times in FY2022 and Debt Service Coverage Ratio stood at 5.30 times in FY24 (Prov.) as against 4.89 times in FY23 and 5.39 times in FY22. Acuite believes that the financial risk profile of the company will remain healthy with no major capex plans.

Weaknesses

Moderate Working Capital Management

The working capital cycle of the company is marked by Gross Current Assets (GCA) of 147 days in FY24 (Prov.) as compared to 151 days in FY23 and 182 days in FY22. The inventory days remained at similar levels and stood at 14 days in FY24 (Prov.) as compared to 18 days in FY23 and 25 days in FY22. The debtor days stood at 53 days in FY24 (Prov.) as against 41 days in FY23 and 51 days in FY22. The creditor days to 128 days in FY24 (Prov.) as against 101 days in FY23 and 135 days in FY22. The credit from suppliers is dependent on the payments as and when received from the customers. Acuite believes that working capital requirements are

expected to remain at similar levels due to the nature of the work orders in hand and to be executed over the medium term.

Ongoing Litigation- NBCC "GREEN VIEW" dispute

RICPL was awarded to construct an under-construction "Green View" project by National Buildings Construction Company (NBCC) in 2014 with cost and risk of the previous contractor. After 4 years, post completion and defect liability period being over, concerns were raised about cracks and structural damages in the building "Green View" which was deemed unfit for residency. The two entities had filed lawsuits against each other pertaining to the issues. NBCC issued a lawsuit claiming damages of Rs. 750 Cr. on RICPL as well as 20 other contractors. Presently, the legal proceedings are impending under the Delhi High Court and any adverse decision favouring NBCC, can impact the credit profile of the company. This potential consequence will remain a significant sensitivity factor over the medium term.

Competitive and fragmented nature of industry

With increased focus of the central government on the infrastructure sector, RICPL is expected to reap benefits over the medium term. However, most of its projects are tender-based and face intense competition, which may hence require it to bid aggressively to get contracts. Acuite believe that the company is susceptible to volatility in margins due to intense competition in infrastructure industry.

Rating Sensitivities

- Elongation in working capital cycle
- Improvement in venues while improving margins
- Risk related to ongoing litigation with NBCC

Liquidity Position

Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.46.12 crore in FY24 (Prov.) as against a long-term debt repayment of Rs. 2.63 crore over the same period. The current ratio improved at 1.70 times in FY24 (Prov.) as compared to 1.53 times in FY23 and 1.27 times in FY22. The cash and bank balances stood at Rs 5.66 crore in FY24 (Prov.) as against Rs. 10.87 crore in FY23 and Rs. 12.70 crore in FY22. The Company also had free Fixed deposits of RS. 117 Cr. and Mutual Funds of Rs. 20 Cr. which provides its cushion in the liquidity. The company does not have any debt funded capex plans over the medium term. Additionally, the fund-based limit was utilized at 22.43 per cent for the seven-months ended June 2024. However, the company has efficient working capital management as reflected by low Gross Current Assets (GCA) of 147 days in FY24 (Prov.) as compared to 151 days in FY23 and 182 days in FY22. Acuite believes that the company will maintain adequate liquidity position due to net cash accruals and no major capex plans.

Outlook: Stable

Acuite believes RICPL will benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to '**Positive**' if scale of operations and, profitability, improves significantly, while maintaining working capital management. Conversely, the outlook may be revised to '**Negative**' if financial risk profile weakens because of low cash accrual, or elongation of working capital cycle, or debt-funded capital expenditure or adverse decision of ongoing litigation in favour of NBCC.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	1035.31	867.73
PAT	Rs. Cr.	42.62	29.18
PAT Margin	(%)	4.12	3.36
Total Debt/Tangible Net Worth	Times	0.17	0.03
PBDIT/Interest	Times	9.08	8.49

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 must 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
04 Dec 2023	Cash Credit	Long Term	5.00	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	2.00	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	28.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	185.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	80.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
27 Sep 2022	Cash Credit	Long Term	5.00	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	Cash Credit	Long Term	2.00	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	Bank Guarantee (BLR)	Short Term	28.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	185.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	80.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
07 Jul 2021	Proposed Bank Guarantee	Short Term	80.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	213.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2+)
	Cash Credit	Long Term	7.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.00	ACUITE A3 Upgraded (from ACUITE A4+)
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	185.00	ACUITE A3 Upgraded (from ACUITE A4+)
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	81.00	ACUITE A3 Upgraded (from ACUITE A4+)
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BBB- Stable Upgraded (from ACUITE BB)
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BBB- Stable Upgraded (from ACUITE BB)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BBB- Stable Upgraded (from ACUITE BB)

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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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