

Press Release

Rohan Builders (India) Private Limited

January 29, 2021



Rating Assigned

Total Bank Facilities Rated	Rs.168.00 crore
Long Term Rating	ACUITE A- / Stable (Assigned)
Short Term Rating	ACUITE A1 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned a long term rating of '**ACUITE A-**' (**read as ACUITE A minus**) and short term rating of '**ACUITE A1**' (**read as ACUITE A one**) on the Rs.168.00 crore bank facilities of Rohan Builders India Private Limited. The outlook is '**Stable**'.

Pune – Maharashtra based, Rohan Builders India Private Limited (RBIPL) was incorporated in 1994 by Mr. Suhas Lunkad and family. Mr. Suhas Lunkad is a B.Ed in civil. The company is engaged in civil construction of industrial plants and infrastructure facilities. The company also has a 5 MW windmill. The company caters to various industries such as FMCG, Metals and Minings, Education society, Pharmaceuticals among others.

Analytical Approach

Acuité has considered standalone business and financial risk profile of RBIPL along with factoring in the corporate guarantee extended to its group companies, to arrive at the rating.

Key Rating Drivers

Strengths

- **Established position along with reputed clientele:**

The company is engaged in civil construction of industrial plants and infrastructure facilities. The company is promoted by Mr. Suhas Lunkad and family. Mr. Suhas Lunkad has over two decades of experience in various industries such as infrastructure and real estate, among others. The company benefits from its experienced management. The company has a diversified and reputed customer base. The company caters to customers such as ITC, HUL and P&G among others. The company has a healthy relationship with customer and supplier. Acuité believes that RBIPL will continue to benefit from its established position in the market and experienced management.

- **Improvement in operating performance with sustained revenue visibility**

The revenues of RBIPL has significantly improved over the period ending FY2020. The company has registered revenues of Rs. 365.99 Cr. in FY2020 as against Rs.271.57 Cr. in FY2018. The company has grown at a CAGR of 16%. The growth in FY2020 was flattish and has only grown by 0.69%. The growth was stagnant on account of outbreak of COVID – 19 in March 2020 followed by lockdown. Since the company could not register the revenues in FY2020 due to pending certification work, the inventory rose to Rs.77.60 Cr. as on 31 March 2020 as against Rs.40.56 Cr. in the previous year. Further, the operating margins rose above 7 per cent in FY2019 and FY2020 from 5.76 per cent in FY2018. Simultaneously, the PAT has also increased to 5.75 per cent in FY2020 from 2.14 per cent in FY2018. Further, the company has achieved revenues of Rs.198 Cr. till November 2020 with around 9 per cent operating margin. The company has healthy order book position of Rs.446 Cr. as in November 2020. Order book position to revenues stood at 1.22 times for FY2020.

Acuité believes the revenues and operating margins are likely to improve in near future backed by healthy order book position.

- **Healthy financial risk profile**

The financial risk profile is healthy marked by healthy net worth, debt coverage indicator and gearing. The

tangible net worth stood at Rs.338.28 Cr. as on 31 March 2020 as against Rs.323.51 Cr. in the previous year. The gearing stood at 0.06 times as on 31 March 2020 as against 0.07 times as on 31 March 2019. The total debt also includes non-convertible preference redeemable in FY2024. Since the company has a presence in Infrastructure industry, the company relies more on Bank Guarantees over fund based facilities. The coverage indicators stood healthy marked by interest coverage ratio of 9.49 times for FY2020 as against 11.35 times in the previous year. Further, TOL/TNW stood at 0.38 times as on 31 March 2020 as against 0.35 times as on 31 March 2019. Acuité believes the financial risk profile to remain healthy on account of healthy net cash accruals and no debt funded capex in near to medium term.

• **Moderate operating cycle**

RBIPL operates in the moderate operating cycle marked by GCA of 213 days in FY2020 as against 155 times in FY2019. The increase in GCA is majorly on account of increase in inventory to 84 days in FY2020 from 44 days FY2019. The increase in inventory days was majorly on account of outbreak of Covid – 19 in March, 2020 followed by lockdowns across the country. The company has completed the projects, however, due to lockdown, the certification of work done was not possible and hence the company could not raise bill to the counterparty for the same. Further, Acuité takes a note of monthly revenues booked in FY2021. Further, the company's average bank limit utilization stood at ~14 per cent for the last six months ending November 2020.

Weaknesses

• **Investment in Group Companies and Extension of loans and advances:**

The company has tangible net worth of Rs.338.28 Cr. as on 31 March 2020 as against Rs.323.51 Cr. in the previous year. Further, the company invested Rs.171 Cr. in Group Company and has also extended loans and advances of Rs.39 Cr. as on 31 March 2020. Further, Acuité also takes a note of Corporate Guarantee of ~Rs.75 Cr. to its group companies which has reduced to ~Rs.62 Cr. as on December 2020. The adjusted net worth (after deduction of investments) stood at Rs.167 Cr. as on 31 March 2020. The adjusted gearing (debt-equity) stood at 0.12 times as on 31 March 2020. Any further investments, or loans and advances or significant increase in contingent liability for RBIPL will entail a negative biased towards the rating.

• **Competitive and fragmented industry**

The infrastructural construction sector is marked by the presence of several mid to big sized players. The firm faces intense competition from other players. Risk becomes more pronounced as tenders are based on the minimum amount of bidding of contracts. However, the risk is mitigated to an extent as the management has been operating in the industry for more than three decades.

Liquidity position: Adequate

RBIPL's liquidity is adequate marked by current ratio stood comfortable at 1.70 times as on 31 March, 2020. Gross Current Asset days has slightly increased to 213 days in FY2020 from 155 times in the previous year. The increase in GCA is majorly on account of increase in inventory days, which has increased on account of outbreak of COVID-19 in March 2020, followed by lockdowns across the nation. RBIPL maintained unencumbered cash balances of Rs. 5.24 crores as on March 31, 2020. The net cash accruals stood at Rs. 27.71 crores in FY2020 and Rs. 16.99 crores in FY2019 against no debt repayment obligation during the same period. The company does not avail any long term debt; however, the company has Non – Convertible preference shares of Rs.16.38 Cr. which is redeemable in 4 equal installments starting from FY2024. Average utilization of cash credit limits stands comfortable at ~14 percent for the six month period ended November 2020. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate unutilized bank limits and no significant repayment obligations.

Rating Sensitivities

- Substantial improvement in scale of operation while improving profitability over the medium term
- Any further extension of loans and advances or investments towards the group companies

Material Covenants

TOL/TNW	Not to exceed 1.50x
TOL/ATNW (adjusted for investments/loans)	Not to exceed 2.25x

Outlook: Stable

Acuité believes that RBIPL will continue to benefit over the medium term due to its experienced management and healthy order book providing revenue visibility. The outlook may be revised to 'Positive', in case of timely execution of its unexecuted order book leading to higher-than-expected revenues and profitability with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case RBIPL further extends loans and advances or investment in group companies, registers lower-than-expected decline in revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leads to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	365.99	363.50
PAT	Rs. Cr.	21.03	10.64
PAT Margin	(%)	5.75	2.93
Total Debt/Tangible Net Worth	Times	0.06	0.07
PBDIT/Interest	Times	9.49	11.35

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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 (Upto 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A- / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	138.00	ACUITE A1 (Assigned)

Contacts

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About Acuité Ratings & Research:

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