

Press Release

Rohan Builders (India) Private Limited

April 28, 2022



Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	138.00	-	ACUITE A1 Reaffirmed
Bank Loan Ratings	30.00	ACUITE A Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	168.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE A' (read as ACUITE A)** from **'ACUITE A-' (read as ACUITE A minus)** and reaffirmed the short-term rating of **'ACUITE A1' (read as ACUITE A one)** on the Rs.168.0 crore of bank facilities of Rohan Builders (India) Private Limited (RBIPL). The outlook is **'Stable'**.

The ratings take into account established track record of operations, increase in profitability level and margin, significant increase in gross billing in FY22 and improved financial risk profile. The ratings continued to derive strength from healthy order book and efficient working capital management. However, the above strengths are underpinned by moderation in total operating income and exposure to group companies.

About the Company

Rohan Builders India Private Limited, Maharashtra based entity was incorporated in 1994 by Mr. Suhas Lunkad. The company is engaged in civil construction of industrial plants and infrastructure facilities and caters to various industries such as FMCG, Metals and Mining, Education society, Pharmaceuticals among others. The company is being managed by Sudhir Iruppattil Punnoli (Director), Rajendra Popatlal Shah (Director), Rohan Suhas Lunkad, Devendra Ratanlal Nagar (Director) and Suhas Khushalchand Lunkad (Director).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of RBIPL to arrive at the rating

Key Rating Drivers

Strengths

Established track record of operations with experienced management

Rohan Builders India Private Limited (RBIPL) was incorporated in 1994 and thus has more than

two decade of existence in the industry. The long and established track record of the company has enabled in acquiring experience in executing in orders across various industries over the years.

Acuite believes that long track record of the company and experience of management is expected to benefit the company.

Improvement in profitability level and margin

The operating profit increased significantly from Rs.27.84 crores in FY20 to Rs.39.65 crores in FY21, led by decline in contract labor charges from Rs.45.40 crores in FY20 to Rs. 30.95 crores in FY21. Further, the aggregate cost incurred on materials such as steel, cement, roofing sheets etc also declined from Rs.194.60 crores in FY20 to Rs.116.72 crores in FY20. In line with operating profit, net profit also increased to Rs.27.90 crores in FY21 over Rs.21.03 crores in FY20. The profitability margins also increased significantly. The operating profit margin increased from 7.61% in FY20 to 11.65% in FY21. Similarly, net profit margin also increased to 8.20% in FY21 as against 5.75% in FY20.

Improvement in financial risk profile

The capital structure represented by debt-equity ratio remained at lower level at 0.05-0.06 times during FY20-21. The interest coverage ratio, however improved significantly to 17.29 times in FY21 from 9.49 times in FY20, led by increase in operating profit. Similarly, NCA to total debt also improved to 2.00 times in FY21 as against 1.42 times in FY20. The total outstanding liability to tangible net worth improved to 0.29 times in FY21 over 0.38 times in FY20, led by increase in tangible net worth. The net cash accruals to total debt also improved to 2.0 times in FY21 as against 1.42 times in FY20.

The company is not planning to avail any additional debt and hence, the financial risk profile is expected to improve going ahead, led by accretion of profit to reserves.

Comfortable working capital cycle

The Gross Current Asset (GCA) days of the company increased to 241 days in FY21 as against 213 days in FY20. The increase in GCA days is mainly due to increase in cash and bank balance. However, the inventory days improved to 24 days in FY21 as against 84 days in FY20. The inventory balance remained higher mainly on account of piled up uncertified contract work in progress led by COVID induced lockdown in FY20. The company did not witness any such issues during fiscal year ending FY21, thereby resulting in lower inventory level and improvement in inventory days. The debtors' days, however increased to 84 days in FY21 as against 54 days in FY20 due to delay in realization of receivables on account of COVID induced lockdown. The entire bill amount is realized within 45-60 days. The materials are purchased from per-approved vendors and the credit days varies as per terms of contract. The average utilization remained at lower level at 24.97% for the past 12 months January 2022.

Increase in gross billing in FY22

The company has reported monthly billing of Rs.507.39 crores during FY22, thereby already surpassing the total operating income of FY21.

Healthy order book

The outstanding order book of the company remained at Rs.772.85 crores as on April 18, 2022. The order book is spread across 23 orders with ticket size ranging between Rs.0.46 crores to Rs.131.91 crores. The average tenor of orders is 1.5-2 years, thereby providing medium term revenue visibility. The company generally receives mobilization advance of 10% of contract value. The retention money is equivalent to 5% of bill raised and the same could be released post submission of performance of bank guarantee. The top 3 orders constitute to around 39% of total order book, thereby having moderate concentration order book size wise. The orders also have escalation clause w.r.t material such as steel and cement. The company has been executing orders across India with major orders being executed in Haryana, Karnataka, Telangana and Madhya Pradesh. The company executes major order on its own and only sub-contracts semi-skilled and unskilled portion of work. Further, the company also hires machineries to execute orders across India. On geographical front, the company executes major portion of order in Haryana. On clientele front, the company has been receiving orders from private entities, with orders from top 3 client constituting to around 54.18% of total order book.

Weaknesses

Moderation in total operating income in FY21

The company reported total operating income of Rs.340.33 crores in FY21 as against Rs. 365.99 crores in FY20, with marginal y-o-y de-growth of Rs. 7.01% during the year. The company was able to report satisfactory revenue despite COVID induced lockdown.

Exposure to group companies

The company has also made investment to the tune of Rs. 170.56 crores as on March 31, 2021 (Rs.175.63 crores as on March 31, 2020) in its group associates. The group entities are majorly engaged in toll road projects. The total investment constitutes to around 47% of tangible net worth as on March 31, 2021. In addition to this, the company has also extended loans and advances to group entities amounting Rs.33.26 crores as on March 31, 2021. Further, the company has also extended corporate guarantee to group companies.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- >Improvement in revenue and profitability margins with successful execution of outstanding order book.
- >Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.
- >Any delay in execution of orders and realization of receivables.

Material covenants

None

Liquidity Position: Strong

The net cash accruals of the company increased to Rs.34.62 crores in FY21 as against Rs.27.71 crores in FY20. The company does not have any debt repayment obligation. The company also maintains cash and bank balance of Rs. 54.36 crores as on March 31, 2021 as against Rs.5.24 crores as on March 31, 2020. The current ratio also improved to 2.27 times in FY21 as against 1.70 times in FY20. The working capital utilization remained at lower level at 24% for past 12 months ending January 2022. The company is not planning to avail any additional term loan, hence there is no major debt repayment obligation in medium term.

Outlook: Stable

Acuité believes that the outlook on RBIPL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability and successful execution of work orders. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company and delay in execution of work order.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	340.33	365.99
PAT	Rs. Cr.	27.90	21.03
PAT Margin	(%)	8.20	5.75
Total Debt/Tangible Net Worth	Times	0.05	0.06
PBDIT/Interest	Times	17.29	9.49

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jan 2021	Cash Credit	Long Term	30.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	138.00	ACUITE A1 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	76.50	ACUITE A1 Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	61.50	ACUITE A1 Reaffirmed
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE A Stable Upgraded
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE A Stable Upgraded

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in J. Subhadra Senior Analyst-Rating Operations Tel: 022-49294065 j.subhadra@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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