



Press Release
Rohan Builders (India) Private Limited
July 13, 2023
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A**' (read as **ACUITE A**) and the short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.168 Cr. of bank facilities of Rohan Builders (India) Private Limited (RBIPL). The outlook is 'Stable'.

Rationale for rating

The rating considers RBIPL's strong financial risk profile, efficient working capital management and healthy profitability marked by average EBITDA margins of over 9 percent in the last three years ended 2023. Further, the rating continues to draw comfort from RBIPL's established track record of operations, y-o-y stable revenue growth owing to relationships with reputed clientele along with healthy orders in hand showing revenue visibility in the medium term. The company reported revenues at Rs. 610 Cr. during FY2023 (Provisional) against Rs. 514 Cr. in FY2022 and Rs. 340 Cr. in FY2021. However, the above strengths are underpinned by relatively moderate scale of operations, large exposure to its group companies along with presence in highly competitive and fragmented industry.

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 and association with reputed clientele

RBIPL was incorporated in 1994 and thus has been into existence for almost three decades. The company was started by Mr. Suhas Lunkad who holds a B.Ed. in Civil Engineering and is the current Director. The established track record and experienced management has

enabled the company in acquiring reputed clientele and executing high value orders across various industries over the years. The company mainly undertakes civil construction activities

for companies like Nestle India Ltd, Maruti Suzuki India Ltd, JSW Steel Ltd etc. to name a few. Acuité believes that long track record of the company and association with reputed clientele has benefitted the company in establishing a brand name in the industry.

Stable revenue growth along with favourable profitability margins and healthy order book position.

The company reported total operating income of Rs.610 Cr. in FY2023 (Provisional.) as against Rs. 514 Cr. in FY2022 marking a growth of around 19 percent during the year and an average growth of around 21 percent over the last three years ended FY2023. During FY2023, the average monthly billing of RMIPL stood improved at around Rs. 50 Cr. against Rs. 42 Cr. in FY2022. Further, the operating profit increased from Rs. 37.14 Cr. in FY2022 to Rs.51.59 Cr. in FY2023(Provisional.) majorly led by decline in material cost from around 53 percent in FY2022 to 47 percent in FY2023(Provisional.). The EBITDA margins stood at 8.45 percent in FY2023(Provisional) against 7.22 percent in FY2022 while the average EBITDA margins during the last three years ended FY2023 stood at around 9.11 percent. The average PAT margins stood at over 7 percent during the same period. Further, the company has an outstanding order value of around Rs. 1800 Cr. to be executed over a period of next two-three years.

Acuité believes, timely execution of orders will remain critical in generating increased scale of operations.

Strong financial risk profile.

RBIPL's financial risk profile is strong marked by healthy net worth and strong coverage indicators. The net worth of the company stood at Rs. 434 Cr. as on March 31, 2023 (Provisional) against Rs. 388 Cr. as on March 31, 2022. The debt profile of the company mainly comprises of non-cumulative redeemable preference shares (classified as term debt by the company as per IND AS) and working capital borrowings. The non-cumulative redeemable preference shares stood at Rs. 19.32 Cr. in FY2023 (Provisional.) against Rs. 18.28 Cr. in FY2022 and are redeemable in 4 equal yearly instalments starting in FY2025. Further, the working capital debt stood outstanding at around Rs. 12.17 Cr. in FY2023(Provisional) against Rs. 27.25 Cr. in FY2022. The total debt stood at Rs.31.49 Cr. as on March 31, 2023 as against Rs. 45.53 Cr.as on March 31, 2022. The capital structure represented by debt-equity ratio remained healthy at 0.07 times as on March 31, 2023(Provisional) against 0.12 times as on March 31, 2022. Further, the company has non fund based facilities in the form of BG to the tune of Rs.178 Cr as on March 31, 2023.(Provisional.) Even after including the BG, the gearing stands below unity (0.47 times) due to RBIPL's healthy Net worth. Further, the interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood healthy at 15.25 times and 12.06 times in FY2023(Provisional.) against 17.43 times and 14.52 times in FY2022 respectively. The total outstanding liability to tangible net worth stood at 0.41 times in FY2023(Provisional) against 0.33 times in FY2022. Further, the net cash accruals to total debt stood improved at 1.34 times in FY2023(Provisional.) as against 0.95 times in FY2022.

Acuité believes going forward RBIPL will maintain a strong financial risk profile in absence of any additional debt.

Efficient Working capital management

The Gross Current Asset (GCA) days of the company increased to 185 days during FY2023(Provisional) as against 159 days in FY2022. The increase in GCA days is mainly due to the increase in debtor days at 102 in FY2023 against 84 in FY2022. However, these pertain to last quarter's sales and more than 50 percent of debtors fall under less than 30 days receivables as on March 31, 2023. Further, the inventory days stood at 30 in FY2023(Provisional) against 28 in FY2022. The company has a general process wherein it receives around 10-15% as Mobilization Advances during the start of the project. Further, as and how the work progresses, monthly billing is raised by the company. The clients then inspect the physical progress and certify the billing. The work certification takes about 15-20 days, post which around 70% of payment is released. The entire bill amount is realized within 45-60 days. The materials are purchased from per-approved vendors and the credit days vary as per terms of contract. However, as the company receives mobilization advances and material advances in some cases, the reliance on outside funds is at a moderate level.

The average utilization remained at 58.83% for the past 6 months ended March 2023. However, as per the terms of the projects, RBIPL also needs to open a BG equivalent to 10-15% of the order value during the start of every project. The non fund based limits remained utilised at around 85% for the 6 months period ended March-23.

Weaknesses

Moderate scale of operations.

The company reported revenues to the tune of Rs. 610 Cr. during FY2023(Provisional) against Rs. 514 Cr. in FY2022. Despite it being into operations since 1994, and serving many of the most reputed companies, the revenues are relatively moderate. However, going forward with around Rs 1800 Cr. of orders in hand, the management expects to cross around Rs. 1000 Cr revenues in the coming two years.

Acuité believes ability of the company to improve its scale whilst maintaining its profitability will remain a key rating sensitivity.

Large investments in group companies

The company has made investment to the tune of Rs. 207.68 Cr. as on March 31, 2023 (Rs.220.02 Cr. as on March 31, 2022) in its group associates and SPVs. The group entities are majorly engaged in toll road projects. The total investments constitute to around 47% of its tangible net worth as on March 31, 2023(Provisional). Further, the company has also extended corporate guarantees for its group entities.

Presence in highly competitive and fragmented industry

The infrastructure industry is a fairly fragmented one with few large pan-India players where subcontracting and project-specific partnerships for technical and financial reasons are fairly common. The company faces stiff competition with its competitors in procuring orders through bidding process. The immense competition for procuring tenders leads to very competitive pricing, which in turn leads to stress on the margins. However, the presence of a price escalation clause prevents the company from being exposed to raw material price fluctuations to some extent. Also, the vast experience of the promoters gives the company an edge in procuring large ticket orders, but timely execution of the same in diversified segments remain the key sensitive factor.

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.
- Timely execution of orders and realization of receivables.

Material covenants

None

Liquidity Position

Strong

The net cash accruals of the company stood at around Rs.44 Cr. for the past two years ended FY2023. The NCA/TD stood healthy at 1.34 times during FY2023(Provisional). The company does not have any immediate debt repayment obligations as it has not availed any long term debt. However, the non-cumulative preference shares are to be redeemed starting FY2025. The company maintains cash and bank balance of Rs. 12.05 Cr. as on March 31, 2023(Prov.) as against Rs.4.21 Cr. as on March 31, 2022. The current ratio stood improved to 2.07 times in FY2023 (Provisional.) as against 2.21 times in FY2022. The working capital utilization remained moderate at 58% for past 6 months ending May 2023.

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 23 (Provisional) | FY 22 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 610.17 | 514.16 |
| PAT | Rs. Cr. | 35.38 | 37.14 |
| PAT Margin | (%) | 5.80 | 7.22 |
| Total Debt/Tangible Net Worth | Times | 0.07 | 0.12 |
| PBDIT/Interest | Times | 15.25 | 17.43 |

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

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>
- 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 |
|-------------|--------------------------------|------------|-----------------|--|
| 28 Apr 2022 | Cash Credit | Long Term | 13.50 | ACUITE A Stable (Upgraded from ACUITE A- Stable) |
| | Bank Guarantee | Short Term | 61.50 | ACUITE A1 (Reaffirmed) |
| | Bank Guarantee | Short Term | 76.50 | ACUITE A1 (Reaffirmed) |
| | Cash Credit | Long Term | 16.50 | ACUITE A Stable (Upgraded from ACUITE A- Stable) |
| 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 | Complexity Level | Quantum (Rs. Cr.) | Rating |
|-----------------------|----------------|----------------------|------------------|----------------|----------------|------------------|-------------------|--------------------------------------|
| Central Bank of India | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 76.50 | ACUITE A1 Reaffirmed |
| Axis Bank | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 61.50 | ACUITE A1 Reaffirmed |
| Central Bank of India | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 16.50 | ACUITE A Stable Reaffirmed |
| Axis Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 13.50 | ACUITE A Stable Reaffirmed |

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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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