



Press Release
Rohan Builders (India) Private Limited
November 01, 2023

Rating Reaffirmed & Withdrawn

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Bank Loan Ratings	30.00	ACUITE A Reaffirmed & Withdrawn	-
Bank Loan Ratings	138.00	-	ACUITE A1 Reaffirmed & Withdrawn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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has reaffirmed & withdrawn the long-term rating of '**ACUITE A**' (read as **ACUITE A**) and the short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.168 Cr.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The rating has been withdrawn on account of the request received from the company, and subsequent NOC received from the banker as per Acuite's policy of withdrawal of ratings.

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 around 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. 632 Cr. during FY2023 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).

Unsupported Rating

Not Applicable

Analytical Approach

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

Strengths

Established track record of operations with experienced management and association with reputed clientele

RB IPL 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.631.52 Cr. in FY2023 as against Rs. 514.16 Cr. in FY2022 marking a growth of around 23 percent during the year and an average growth of around 22 percent over the last three years ended FY2023. During FY2023, the average monthly billing of RB IPL 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.48.73 Cr. in FY2023 majorly led by decline in material cost from around 53 percent in FY2022 to 49 percent in FY2023. The EBITDA margins stood at 7.72 percent in FY2023 against 6.42 percent in FY2022 while the average EBITDA margins during the last three years ended FY2023 stood at around 8.59 percent. The average PAT margins stood at around 7 percent during the same period. Further, the company has an outstanding order value of around Rs. 1800 Cr. as on July 2023 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.

RB IPL's financial risk profile is strong marked by healthy net worth and strong coverage indicators. The net worth of the company stood at Rs. 453.99 Cr. as on March 31, 2023 against Rs. 388.12 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 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. 34.81 Cr. in FY2023 against Rs. 27.25 Cr. in FY2022. The total debt stood at Rs.54.13 Cr. as on March 31, 2023 against Rs. 45.53 Cr.as on March 31, 2022. The capital structure represented by debt-equity ratio remained healthy and at similar levels at 0.12 times for last two years ended March 31, 2023. Further, the company has non fund based facilities in the form of BG to the tune of Rs.149 Cr as on March 31, 2023. Even after including the BG, the gearing stands below unity (0.45 times) due to RB IPL's healthy Net worth. Further, the interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood healthy at 17.20 times and 16.14 times in FY2023 against 14.16 times and 13.23 times in FY2022 respectively. The total outstanding liability to tangible net worth stood at 0.42 times in FY2023 against 0.33 times in FY2022.

Acuité believes going forward RB IPL 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 marginally to 167 days during FY2023 as against 159 days in FY2022. The increase in GCA days is mainly due to the increase in debtor days at 100 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 28 in FY2023 against 27 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. 631.52 Cr. during FY2023 against Rs. 514.16 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. 241.23 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 53% of its tangible net worth as on March 31, 2023. 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.

All Covenants

Not Available

Liquidity Position

Strong

The net cash accruals of the company stood at around Rs.44 Cr. for FY2023. 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 healthy cash and bank balance of Rs. 30.03 Cr. as on March 31, 2023 as against Rs.4.21 Cr. as on March 31, 2022. The current ratio stood healthy at 1.81 times in FY2023. The working capital utilization remained moderate at 58% for 6 months ending May 2023.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	631.52	514.16
PAT	Rs. Cr.	36.21	32.99
PAT Margin	(%)	5.73	6.42
Total Debt/Tangible Net Worth	Times	0.12	0.12
PBDIT/Interest	Times	17.20	16.14

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>
- 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
13 Jul 2023	Cash Credit	Long Term	13.50	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	61.50	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	16.50	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	76.50	ACUITE A1 (Reaffirmed)
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 & Withdrawn
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	61.50	ACUITE A1 Reaffirmed & Withdrawn
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.50	ACUITE A Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.50	ACUITE A Reaffirmed & Withdrawn

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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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