



Press Release
RB Ghodke Infrastructure Private Limited (Erstwhile R B Ghodke)
August 29, 2022
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.59	ACUITE BBB Negative Reaffirmed Stable to Negative	-
Bank Loan Ratings	38.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	53.59	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 53.59 crore bank facilities of R B Ghodke Infrastructure Private Limited (erstwhile R B Ghodke) (RBGIPL). The outlook is revised from 'Stable' to '**Negative**'.

Rationale for rating reaffirmation

The rating reaffirmation takes into account improvement in RBGIPL's scale of operations and efficient working capital operations. It also draws comfort from company's experienced management with established track record of operations and moderate financial risk profile. However, the rating is constrained by the weak order book position marked by order concentration thereby indicating modest revenue visibility in near to medium term. Ability of the company to scale up its operations backed by an increase in the number of orders with timely execution without any significant delays will continue to remain a key rating sensitivity factor.

About the Company

R. B. Ghodke (RBG), established in 1986 is a Maharashtra-based firm promoted by Mr. Ramprasad Ghodke and has recently been reconstituted as a private limited company namely RB Ghodke Infrastructure Private Limited (RBGIPL). The company undertakes civil construction contracts for the Maharashtra government for construction of roads, canals, dams and barrages.

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and experienced management

RBGIPL has been executing civil construction contracts in Maharashtra for more than three decades. The company is led by the Chairman, Mr. Ramprasad Ghodke who holds around three decades of experience in the civil construction industry. RBGIPL is engaged in providing

different types of civil construction in segments such as commercial structures, industrial buildings, roads, bridges, water and drainage projects, dams under government and semi

government entities.

Acuité believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

Moderate financial risk profile

Financial risk profile of RBGIPL is moderate marked by healthy network, high gearing and moderate debt protection metrics. The network of the company has improved to Rs.55 Cr as on 31 March, 2022 as against Rs.40 Cr as on 31 March, 2021 on account of healthy accretion to reserves. The gearing (debt-equity) has increased to 0.84 times as on 31 March, 2022 as against 0.37 times as on 31 March, 2021 on account of significant increase in the overall debt. The gearing of the company is however expected to improve and remain low over the medium term on account of absence of any debt funded capex plans in the future. The total debt of Rs.46 Cr as on 31 March, 2022 consists of long term bank borrowings of Rs.22 Cr, unsecured loans from directors of Rs.14 Cr and short term working capital limit of Rs.10 Cr.

The interest coverage ratio stood at 12.56 times for FY2022 as against 16.14 times for FY2021. The DSCR stood lower at 2.51 times for FY2022 as compared to 11.37 times for FY2021. The Net Cash Accruals to Total debt stood lower at 0.48 times for FY2022 as against 0.98 times for FY2021. The Total outside liabilities to Tangible net worth has increased to 1.05 times for FY2022 as against 0.86 times for FY2021.

Acuité believes RBGIPL's ability to improve its financial risk profile over the medium term will remain a key rating sensitivity factor.

Efficient working capital operations

The working capital operations of RBGIPL are efficient marked by its improved Gross Current Assets (GCA) of 43 days for FY2022 as against 79 days for FY2021. This is primarily on account of its improved inventory cycle which stood at 0 days in FY2022 as against 24 days in FY2021 since the company has managed to finish all its pending work orders during the year. On the other hand, debtors cycle stood at 22 days in FY2022 as against 27 days in FY2021. Further, creditors cycle stood at 7 days in FY2022 as against 0 days in FY2021.

Acuité believes RBGIPL's ability to maintain its working capital cycle over the medium term will remain a key rating sensitivity factor.

Weaknesses

Weak order book position providing modest revenue visibility over the medium term

RBGIPL reported revenues of Rs.159 Cr for FY2022 as against Rs.85 Cr in FY2021 which is a growth of ~87 percent and has achieved this on the back of execution of its pending work orders worth Rs.127.41 Cr as on March 31, 2021. Despite an increase in the operating income, the operating margin of the company has got declined to 18.17 percent in FY2022 as against 25.84 percent in FY2021 on account of significant increase in the expenses incurred by the company towards purchase of required raw materials, consumption of power & fuel by the machineries and other manufacturing expenses which were carried out for completing the required work orders. Also, the operating margin is somehow impacted on account of change in the type of work orders which are undertaken by the company based on the tenders floated by the government. On the other hand, the net profit margin of the company also got declined to 9.53 percent in FY2022 as against 11.75 percent in FY2021 on account of significant increase in the interest cost and depreciation expenses during the year.

The company has further received only two new orders of road construction work in the current year FY2023 worth Rs.124.41 Cr, out of which the unexecuted order book as on July 31, 2022 is Rs.114.41 Cr, which is expected to be completed over the next 1 year.

Acuité believes the weak order book position provides modest revenue visibility over the medium term, any delays in the above mentioned two orders will have a significant impact on RBGIPL's revenue and will remain a key rating sensitivity.

High dependence on government orders, however mitigated by established relations and efficient liasioning with government authorities

RBGIPL does civil construction work mainly for Maharashtra Government and indicates that the firm's revenues are highly dependent on number and value of tenders floated by State Government. Moreover, any further delays in the project execution of current projects along with the delayed receipt from government and site related issues are likely to result in higher working capital requirements. However, this risk is mitigated, as RBGIPL has established relations with State Government departments which resulted in timely realizations and winning of tenders at regular intervals.

Rating Sensitivities

- Ability to improve financial risk profile
- Ability to maintain working capital cycle
- Ability to scale up operations backed by an increase in the number of orders with timely execution without any significant delays

Material covenants

None

Liquidity position - Adequate

RBGIPL has adequate liquidity position marked by healthy net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.17 Cr to Rs.22 Cr during FY2020 to FY2022 against its repayment obligation in the range of Rs.7 Cr to Rs.11 Cr during the same period. Going forward, the NCA are expected in the range of Rs.20 Cr – Rs.22 Cr for period FY2023-FY2024 against repayment obligation of ~Rs.11 Cr in FY2023 and further no repayment in FY2024. The working capital operations of the company are efficient marked by its improved gross current asset (GCA) days of 43 days for FY2022 as against 79 days for FY2021. The average bank limit utilization for 6 months' period ended July 2022 stood at ~73 percent. Current ratio stands at 0.74 times as on 31 March 2022. The company has maintained cash & bank balance of Rs.5 Cr in FY2022.

Acuité believes that the liquidity of RBGIPL is likely to remain adequate over the medium term on account of healthy cash accruals against its maturing debt obligations.

Outlook: Negative

Acuité has revised the outlook of RBGIPL from 'Stable' to 'Negative' due to weak order book position marked by limited order concentration thereby indicating modest revenue visibility in near to medium term. The outlook may be revised to 'Stable' in case of significant improvement in the order book position and scale up in revenue and profitability margin.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	159.15	84.91
PAT	Rs. Cr.	15.16	9.98
PAT Margin	(%)	9.53	11.75
Total Debt/Tangible Net Worth	Times	0.84	0.37
PBDIT/Interest	Times	12.56	16.14

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

CRISIL vide its press release dated 27 January 2022, has mentioned the rating of RBGIPL to 'CRISIL B+/Stable, A4' (Issuer Not Cooperating) as on 27 January 2022.

Any other information

None

Applicable Criteria

- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
02 Jul 2021	Bank Guarantee	Short Term	38.00	ACUITE A3+ (Reaffirmed)
	Working Capital Term Loan	Long Term	2.39	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	1.20	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB Stable (Reaffirmed)
13 Oct 2020	Working Capital Term Loan	Long Term	2.39	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	38.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	1.20	ACUITE BBB Stable (Assigned)
03 Sep 2020	Cash Credit	Long Term	12.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	18.00	ACUITE A3+ (Reaffirmed)
03 Jun 2019	Bank Guarantee	Short Term	18.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
10 Apr 2018	Cash Credit	Long Term	9.00	ACUITE BBB- Stable (Assigned)
	Proposed Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A3+ (Assigned)
	Proposed Bank Guarantee	Short Term	12.00	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A3+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB Negative Reaffirmed Stable to Negative
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.86	ACUITE BBB Negative Reaffirmed Stable to Negative
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	0.54	ACUITE BBB Negative Reaffirmed Stable to Negative
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	2.19	ACUITE BBB Negative Reaffirmed Stable to Negative

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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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