



Press Release
RB Ghodke Infrastructure Private Limited (Erstwhile R B Ghodke)
November 27, 2023
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple 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 '**Negative**' to '**Stable**'.

Rationale for change in Outlook

The revision in outlook factors in the stable operating and financial performance of RBGIPL marked by range - bound operating margins, albeit slight decline in operating income and moderate financial risk profile. The revision in outlook also factors in the improved orderbook position. The confirmed unexecuted orderbook value stood at Rs.188 Cr as on October, 2023 out of which Rs.138 Cr constitutes of new orders of road construction work received in FY2024 from NHAI & PWD. The company also has orders worth ~Rs.230 Cr related to National Highway construction in Telangana under pipeline, which is expected to be received by the end of FY2024. Acuite believes the traction in orderbook is healthy, however, with the confirmed orderbook value being ~1.63 times of FY2023, timely receipt of orders in pipeline would be critical to maintain the business risk profile of the company over the medium term. Further, although there is decline in the revenue in FY2023, the EBITDA margins have improved which stood at 20.06% in FY2023 as against 18.17% in FY2022. Also, the reaffirmation in the rating takes into account company's experienced management with established track record of operations, moderate financial risk profile, efficient working capital operations and adequate liquidity position. Going forward, ability of the company to scale up its operations backed by timely execution of its orderbook while maintaining its profitability margins and capital structure will remain a key rating monitorable.

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 canals, dams and barrages.

Unsupported Rating

Not Applicable

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

The financial risk profile of the company stood moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.64 crore as on 31 March 2023 as against Rs.55 crore as on 31 March, 2022. The total debt of the company for FY2023 stood at Rs.32.60 crore includes Rs.2.15 crore of long-term debt, Rs.11.35 crore of short term debt, Rs.9.44 crore of unsecured loans and Rs.9.65 crore of CPLTD as on 31 March, 2023. The gearing (debt-equity) stood low at 0.51 times as on 31 March, 2023 as against 0.84 times as on 31 March, 2022. Interest Coverage Ratio stood at 8.02 times for FY2023 as against 12.56 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.43 times in FY2023 as against 2.51 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.63 times as on 31 March, 2023 as against 1.05 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.53 times for FY2023 as against 0.48 times for FY2022.

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 although its Gross Current Assets (GCA) stood at 71 days for FY2023 as against 43 days for FY2022. This is primarily on account of its improved debtor cycle which stood at 9 days in FY2023 as against 22 days in FY2022 since the funds have been released on time. Also, the majority of debtors for the company is in the form of retention money. Although, the average credit period allowed to customers of 30 days. On the other hand, inventory cycle stood at 53 days in FY2023 as against 0 days in FY2022. Further, creditors cycle stood at 01 day in FY2023 as against 07 days in FY2022. The average credit period allowed by suppliers is 15-30 days for cement and Diesel. Other than that, the company majorly deals with its components in advance.

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

Weaknesses

Modest revenue visibility over the medium term

RBGIPL reported revenues of Rs.114 Cr in FY2023 as against Rs.159 Cr for FY2022. Albeit the decline in revenue in FY2023, the EBITDA margins have improved and stood at 20.06% in FY2023 as against 18.17% in FY2022. The company's net profit margin decreased to 8.03 percent in FY2023 as against 9.53 percent in FY2022 on account of significant increase in the interest cost and depreciation expenses during the year. The company has achieved revenue of ~Rs.40 Cr till October 2023 and the confirmed unexecuted orderbook value as on October, 2023 stood at Rs.188 Cr, out of which Rs.138 Cr constitutes of new orders of road construction work received in FY2024 from NHAI & PWD, execution of which is yet to begin. The company also has orders worth ~Rs.230 Cr related to National Highway construction in Telangana under pipeline, which is expected to be received by the end of FY2024.

Acuité believes that any delays in the above-mentioned orders will have a significant impact on RBGIPL's business profile and will remain a key rating sensitivity.

High dependence on government orders, however mitigated by established

relations and efficient liaisoning 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

All Covenants

Not Available

Liquidity Position

Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.14-Rs.22 Crore from FY 2021- 2023 against its maturing debt obligations in the range of Rs.7-11 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.18-24 crores against the maturing repayment obligations of around Rs.0.36-2 crore over the medium term. The working capital management of the company is efficient marked by GCA days of 71 days in FY2023 as against 43 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.3.82 crore as on March 31, 2023. Average bank limit utilization for fund-based limits stood at ~72 percent and for non-fund-based limits stood around ~40-50 percent for the last 09 months ended September 2023.

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: Stable

Acuité has revised the outlook of RBGIPL from 'Negative' to 'Stable' on account of stable operating and financial performance marked by range - bound operating margins, albeit slight decline in operating income and moderate financial risk profile. The outlook may be revised to 'Positive' in case of significant improvement in the order book position and scale up in revenue and profitability margin. Conversely, the outlook may be revised to 'Negative' in case of any significant delays in the timely execution of orders along with deterioration in revenue and profitability margin or elongation of working capital cycle and liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	114.19	159.15
PAT	Rs. Cr.	9.17	15.16
PAT Margin	(%)	8.03	9.53
Total Debt/Tangible Net Worth	Times	0.51	0.84
PBDIT/Interest	Times	8.02	12.56

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>
- 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
29 Aug 2022	Working Capital Demand Loan	Long Term	0.54	ACUITE BBB Negative (Reaffirmed)
	Bank Guarantee	Short Term	35.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.86	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	2.19	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB Negative (Reaffirmed)
	Proposed Bank Guarantee	Short Term	3.00	ACUITE A3+ (Reaffirmed)
02 Jul 2021	Bank Guarantee	Short Term	38.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB Stable (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)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A3+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB Stable Reaffirmed Negative to Stable
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A3+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.57	ACUITE BBB Stable Reaffirmed Negative to Stable
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	0.54	ACUITE BBB Stable Reaffirmed Negative to Stable
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.48	ACUITE BBB Stable Reaffirmed Negative to Stable

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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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