

Press Release

RMK Infrastructure Private Limited

November 07, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	104.32	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	95.68	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3** (read as **ACUITE A three**) to the Rs.200.00 crore bank facilities of RMK Infrastructure Pvt. Ltd. (RIPL). The outlook is '**Stable**.'

Rationale for Rating

The rating reaffirmed to RIPL derive comfort from established presence of nearly a decade in infrastructure segment, experienced management, moderate financial risk profile and rising scale of business while maintaining healthy operating margin. RIPL's revenue from construction segment grew by ~50per cent annually during FY2022 and its EBITDA margin stood at a strong level of 21.67 per cent in FY2022. Further, the company's current order book also stood at a healthy level of Rs.435.78 crore as of 1st October 2022, which offers good revenue visibility in the medium term. However, ratings are constrained by moderately intensive working capital operations, geographical concentration along with pricing pressure due to tender-based business.

About the Company

Pune-based RMK Infrastructure Private Limited was established in 2011 by Mr. Ranjeet Kakade and is mainly into infrastructure construction and industrial construction. In FY2021, stone crushing business of its group company - Kakade Stone Crusher, was merged into RIPL. The company has 38.25 lakh tons of annual stone crushing capacity. Directors of Rmk Infrastructure Private Limited are Sunanda Ramdas Kakade, Ranjeet Ramdas Kakade.

Analytical Approach

Acuite has considered standalone financial and business risk profiles of RIPL to arrive at the rating.

Key Rating Drivers

Strengths

>Experienced management and established presence in infrastructure construction

RIPL is in the business of infrastructural construction since past decade. The company was established in 2011 by Mr. Ranjeet Kakade, who is a civil engineer and has ~10 years of experience in the construction segment. The promoter's long experience has enabled RIPL to successfully win the tenders and complete the projects. RIPL has done various infrastructure projects of the state government and Municipal Corporations besides industrial constructions.

Current unexecuted order book of RIPL, as of October 2022 stands at Rs.435.78 crore. Further, the company is also looking to expand its rental business, where in constructed industrial sheds are given to other companies on a rental basis. Under the leadership of Mr. Kakade, the company's revenue, from the construction business, has grown at a CAGR (compounded annual growth rate) of ~25 per cent during the 3 years ending March 31, 2022. Reported revenue for FY2022 stood higher at Rs.243.51 crore due to merging of stone crushing business of its group company – Kakade Stone Crusher. Also, the company deals in tender based contracts which includes Government where the bid winning ratio is ~70% and execute projects for some private contracts and some In-house construction.

Acuite believes that RIPL's established presence supported by strong experience of the management may continue to support the company's growth in near to medium term.

>Moderate financial risk profile

The financial risk profile of the company stood comfortable marked by moderate net worth, improving gearing, and moderate debt protection metrics. The tangible net worth stood at Rs.79.42 crore as on 31 March 2022 as against Rs.50.27 crore as on 31 March 2021 and Rs.26.05 crore as on 31 March, 2020. The total debt of the company stood at Rs.101.58 crore includes Rs.35.53 crore of long-term debt, Rs.31.43 crore of short-term debt, Rs.34.62 crore of Unsecured loans and Rs.7.88 crore of CPLTD as on 31 March, 2022. The gearing (debt-equity) stood at 1.28 times as on 31 March 2022 as compared to 1.59 times as on 31 March, 2021 and 1.87 times as on 31 March, 2020. Interest Coverage Ratio stood at 6.06 times for FY2022 as against 8.07 times for FY2021 and 3.87 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 3.36 times in FY2022 as against 4.23 times in FY2021 and 2.44 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.12 times as on 31 March, 2022 as against 2.55 times as on 31 March, 2021 and 2.99 times as on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.36 times for FY2022 as against 0.39 times for FY2021 and 0.27 times for FY2020.

Acuite believes that RIPL may maintain moderate financial risk profile in medium term with healthy cash accruals and no major debt-funded capex planned in the future .

Weaknesses

>Working Capital Intensive Operations

The working capital management of the company is intensive marked by GCA days of 260 days in FY2022 as against 226 days in FY2021 and 151 days in FY2020. Debtor days stood high at 140 days in FY2022 as against 113 days in FY2021 and 48 days in FY2020 as most of the company billings happens in the end of the month of March and the payment period mostly comes in April. The average credit period allowed to customers is 30-60 days. However, the creditor days stood at 140 days in FY2022 as against 116 days in FY2021 and 113 days in FY2020. The average credit period allowed by suppliers is around 60-90 days. Inventory Days stood at 20 days in FY2022 as against 05 days in FY2021 and 13 days in FY2020.

Acuite believes that RIPL's GCA days may remain at 200-250 level in the medium term, thus maintaining intensive working capital operations considering the nature of business.

>Geographical concentration and tender-based business

RIPL's entire business is from Maharashtra and Pune. Thus, any negative development in this state/district would have a sharp negative implications on RIPL's overall operating performance and so on financial risk profile and liquidity. Although, the company has started looking at expanding in other states. Further, majority of construction business of RIPL is based on tenders floated by MIDC, PCMC, MLDL, etc. Thus, the company's revenue is subject to the successful bidding of orders amidst high competitive intensity, which also impacts the pricing power of players.

Rating Sensitivities

- Improvement in scale of operations and profitability margin
- Stretch in working capital cycle and liquidity position.

Material covenants

None.

Liquidity Position: Adequate

The company's liquidity position is adequate marked by moderate net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.13.11-Rs.36.27 Crore from FY 2020- 2022 against its maturing debt obligations in the range of Rs.3.09-Rs.7.88 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.40.52-46.63 crores against the maturing repayment obligations of around Rs.7.37-Rs.8.46 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 260 days in FY2022 as against 226 days in FY2021 and 151 days in FY2020. The current ratio stands at 1.83 times as on March 31, 2022. The average bank limit utilization in CC limits for Kotak Mahindra Bank is ~95.68 percent, for HDFC Bank is ~60.86 percent and for Janata Sahakari Bank Ltd is ~86.22 percent for 6 months ended September 2022. The average BG utilization for Janata Sahakari Bank Ltd is ~47.98%, for Kotak Mahindra Bank is ~60.67% and for HDFC Bank Ltd is ~88.64% for 6 months ended September 2022.

Aucite believes that the company's liquidity position would remain adequate in the medium term with sufficient net cash accruals to the maturing debt obligations.

Outlook: Stable

Aucite believes that RIPL would maintain 'Stable' outlook on the back of experienced management with established presence, healthy order book and healthy operating margin. The outlook may be revised to 'Positive' in case the company reports better than expected revenue and improvement in operating margin. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than expected revenue and elongation in working capital cycle, thereby hurting its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	243.51	197.63
PAT	Rs. Cr.	29.50	24.22
PAT Margin	(%)	12.12	12.25
Total Debt/Tangible Net Worth	Times	1.28	1.59
PBDIT/Interest	Times	6.06	8.07

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

None

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
09 Aug 2021	Proposed Bank Facility	Long Term	26.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	27.86	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	30.49	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	89.65	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
05 Jul 2021	Bank Guarantee	Short Term	30.49	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	15.65	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	27.86	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.49	ACUITE A3 Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	16.50	ACUITE A3 Reaffirmed
Janata Sahakari Bank Ltd (Pune)	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE A3 Reaffirmed
Janata Sahakari Bank Ltd (Pune)	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	35.33	ACUITE A3 Reaffirmed
Janata Sahakari Bank Ltd (Pune)	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.00	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.10	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE BBB- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	14.27	ACUITE BBB- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.46	ACUITE BBB- Stable Reaffirmed
HDFC	Not	Working Capital	Not	Not	Not	Simple	7.85	ACUITE BBB-

Bank Ltd	Applicable	Term Loan	available	available	available			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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