



Press Release
R N CONSTRUCTIONS
September 29, 2023

Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.00	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	36.00	Not Applicable Withdrawn	-
Bank Loan Ratings	28.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	86.00	-	-

Rating Rationale

Acuite has reaffirmed & withdrawn its long term rating to ACUITE BB+ (read as ACUITE double B plus) & short term rating to ACUITE A4+ (read as ACUITE A four plus) on bank facilities of Rs 50.00 Crs. Acuite has also withdrawn its rating on proposed bank facilities Rs. 36.00 crs of R N Constructions. The rating is being withdrawn on account of the request received from the firm and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

Rationale for the Reaffirmation

The rating reflects the promoters extensive experience in civil construction, established track record of operations and moderate financial risk profile. However, the rating is constrained by highly intensive working capital cycle and geographical concentration risk & tender based operations.

About the Company

Established in May, 2013 and based in Hyderabad, (Andhra Pradesh), R N Constructions (RNC) is a partnership firm setup by Mr. Anaparti Bapineedu and Mr. Devineni Sriman. The partners of firm currently are Mr. Anaparti Bapineedu, Mr. Devineni Sriman, Mr. Annamreddy Venkatewara Rao and other family members. RNC, a closed family owned business, undertakes civil construction activities primarily that of Roads, Highways and Buildings. The firm is a 'Special Class' contractor registered with Government of Andhra Pradesh, Telangana, Karnataka and Madhya Pradesh and undertakes works for Public Works Department, Roads & Buildings Department, Irrigation projects and State and National Highway authorities.

Analytical Approach

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

Key Rating Drivers

Strengths

Promoters' extensive experience in civil construction industry; established track

record of operations

RNC, a special class civil contractor, has established presence in executing projects related to primarily construction and development of buildings, roads and highways amongst others

for both public and private sector. Mr. Anaparti Bapineedu, the managing partner of RNC, has nearly 3 decades of experience in the line of civil construction. Prior to his venture in RNC, Mr. Bapineedu was heading the Operations of Roads Division of Meenakshi Group, Hyderabad and has gained experience in the diversified fields of Infrastructure development. Mr. Devineni Sriman, partner of the firm, has gained 20 years of experience in the mechanical field and possess expertise on various type of construction equipment. With the promoters' extensive industry experience and timely execution of its past projects, RNC has been able to establish long-standing relationship with various government divisions and private players such as Executive Engineer TSEWIDC Division (Medak), Greater Hyderabad Municipal Corporation (GHMC), Larsen & Toubro Limited (L&T) Hyderabad Road Development Corporation Limited (HRDCL) and many region-wise state and national highway authorities amongst others. Operating Income for FY23 (Prov) stood at Rs 267.36 crore as against Rs 157.72 Crs in FY22. Further, EBITDA Margin for the FY23 (Prov) stood at 11.24% as against FY22 at 10.00%. The Profit after tax margins (PAT) stood at 3.67% in FY23 (Prov) as against 2.78% in FY22.

Moderate financial risk profile

The financial risk profile of the firm remained moderate marked by moderate net worth, healthy gearing ratio & debt protection metrics. The net worth stood at Rs 69.46 Cr as on 31 March 2023 (Prov) as against Rs 40.20 Cr same period last year. The gearing level of the company remained at 0.66 times as on 31 March 2023 (Prov) as against 1.68 times same period last year. Also, the Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio stood at 1.46 times in as on 31 March 2023 (Prov) compared against 2.02 times as on 31 March 2022. The debt protection matrices of the firm is improving marked by Interest Coverage Ratio (ICR) of 3.40 times for FY23 (Prov) as against 2.72 times in FY2022. Acuité believes that the financial risk profile of the firm will remain average over the medium term.

Weaknesses

Working capital intensive nature of operations

The operations of the firm remained working capital intensive in nature marked by GCA Days of 172 days for FY23 (Prov) as compared against 231 days for FY22. Furthermore, the receivables days stood 107 days in FY23 (Prov) & 131 days in FY22. The inventory days of the firm stood at 56 days for FY23 (Prov) as against 67 days for FY22. The creditor days stood at 150 days for FY23 (Prov) compared against 44 days for FY22.

Geographical concentration on the revenue profile

Public health department of TS. Apart from these orders the firm also has orders which are completely funded by central government like NHAI, Specially funded by central government and state government projects like construction of medical college, Widening of roads, laying of ring road. The firm only undertakes those projects which are specially funded by central government or state government. This draws high geographical concentration risk on the revenue profile of the firm.

Susceptibility to tender-based operations

Revenue and profitability depend entirely on the ability to win tenders. Entities in this segment face intense competition, thus requiring them to bid aggressively to procure contracts; this restricts the operating margin to a moderate level. Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical. Acuité believes that the firm's business profile and financial profile can be adversely impacted on account of presence of stiff competition, and has inherent risk of susceptibility to tender based operations.

Rating Sensitivities

Any deterioration in working capital cycle and liquidity profile of the firm.
Any weakening of financial risk profile of the firm

All Covenants

Not Applicable

Liquidity Position**Adequate**

The liquidity position of the firm remains adequate marked by moderate net cash accruals of Rs 15.95 Cr in FY23 (Prov). The current ratio of the firm remains above unity at 4.43 times as on 31 March 2023 (Prov). The firm has unencumbered cash and bank balances of Rs 1.02 Cr as on 31 March 2023 (Prov).

Outlook: Not Applicable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	267.36	157.72
PAT	Rs. Cr.	9.81	4.38
PAT Margin	(%)	3.67	2.78
Total Debt/Tangible Net Worth	Times	0.66	1.68
PBDIT/Interest	Times	3.40	2.72

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>
- 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
11 Jan 2023	Bank Guarantee	Short Term	28.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Bank Facility	Long Term	36.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB-)
	Cash Credit	Long Term	22.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
21 Oct 2021	Bank Guarantee	Short Term	21.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	35.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Assigned)
	Proposed Cash Credit	Long Term	15.00	ACUITE BBB- (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	28.00	ACUITE A4+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE BB+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	36.00	Not Applicable Withdrawn

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Suman Paul Analyst-Rating Operations Tel: 022-49294065 suman.paul@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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