

Press Release

R K Transport And Constructions Limited

April 06, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	37.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	199.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	236.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A**' (read as **ACUITE A**) and short term rating of '**ACUITE A1**' (read as **ACUITE A1**) on the Rs 236.00 Cr bank facilities of RK Transport and Construction Limited (RKTC). The outlook is '**Stable**'.

The rating reflects the group's strong business risk position marked by its diversified revenue profile and a healthy order book position buoyed by Government's continuous investment in infrastructure, expanding geographies and reputed clientele. The rating also takes into account the strong liquidity position and above average financial risk profile marked by high networth base and healthy debt protection metrics. However, the ratings are constrained by group's working capital intensive nature of operations.

About the Company

R K Transport and Construction Limited (RKTC) was incorporated by Chhattisgarh based Agarwal family in 2003. Prior to that, the company was operating as a partnership firm. The company has four business segments i.e. Transportation, Construction, coal trading and sand mining business. Currently the company has presence in different states such as Chhattisgarh, Jharkhand, Bihar and Uttar Pradesh.

About the Group

Vedanta Washery and Logistic Solutions Private Limited was incorporated in 2013 by RKTC group. The company has a railway siding at Raigarh, Chhattisgarh. The company provides various kinds of logistics services such as transportation of coal, handling of rakes among others.

Omax Minerals Private Limited was incorporated in 2011 by RKTC group. The company engaged in activities of Coal Trading. Also they provide logistic services to reputed corporates.

Analytical Approach

Acuite has taken a **consolidated** view of Omax Minerals Private Limited (Omax), Vedanta Washery and solutions Private Limited (Vedanta) and R K Transport and Construction Limited (RKTC) as all the 3 companies are in the same line of business, share common

management and have strong operational and financial linkages. In addition, RKTC holds around 48 percent stake in Omax. The group herein is referred to as RKTC Group.

Extent of Consolidation: Full

Key Rating Drivers

Strengths

- **Experienced management**

The key promoters of RKTC, Mr. Amar Agrawal and Mr. Sushil Kumar Singhal have been in the civil construction industry for over three decades. The long standing experience has been through their erstwhile partnership concern. They had started off with civil construction activities primarily in the Transportation, Construction, coal trading and sand mining segments in Chhattisgarh. The entity bids only for Government projects.

- **Diversified revenue stream**

The diversified revenue profile supports the strong business risk profile of the group thereby reducing concentration to any one business segment. Over the past few years, the group has steadily diversified into over burden removal, coal handling and transportation, civil construction, sand mining and coal trading.

- **Healthy scale of operations**

The company has achieved revenues of Rs.1088.12 Cr in FY2022 as compared to revenues of Rs. 485.09 Cr in FY2021. The turnover of the company has been growing at y-o-y of more than 123.87 per cent. The growth is primarily driven by rise in revenue from coal trading and sand mining business. Further, the company has already achieved revenue of around Rs.884.28 Cr. till Dec'22 (Provisional). RKTC has an unexecuted order book position of Rs.2136.44 Cr as on 31st December, 2022 and VWLSP has an unexecuted order book position of Rs.95.13 Cr as on 31st December, 2022, thus provides revenue visibility for next 18-24 months, thereby assuring steady revenue flow over the medium term. Acuité derives comfort from the long experience of the promoters in the civil construction space and strong order book position.

- **Above average financial risk profile**

The group's healthy financial risk profile is marked by strong network, moderate gearing and healthy debt protection metrics. The tangible net worth of the group increased to Rs.291.24 Cr as on March 31, 2022 from Rs.233.81 Cr as on March 31, 2021 due to accretion of reserves. Acuité has considered unsecured loans of Rs.30.00 Cr as on March 31, 2022, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the group stood moderate at 1.21 times as on March 31, 2022 as against 1.01 times as on March 31, 2021. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.96 times as on March 31, 2022 as against 1.66 times as on March 31, 2021. The debt protection metrics of the group is marked by Interest Coverage Ratio at 5.63 times as on March 31, 2022 and Debt Service Coverage Ratio at 1.88 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.32 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the group will remain healthy over the medium term, despite having debt funded capex plans.

The group has an ongoing capital expenditure in RKTC of installation of a coal washery plant. The estimated project cost is Rs.36 Cr, which will be funded by term loan from bank of Rs. 24 Cr and remaining Rs.12Cr from promoters' contribution. The commercial operational date of the project is 30 th April 2023.

Weaknesses

- **Working capital intensive nature of operations**

The working capital management of the group is marked by high Gross Current Assets (GCA) of 173 days as on 31st March, 2022 as compared to 300 days as on 31st March, 2021. The high GCA days are primarily on account of a high proportion of other current assets consisting of other deposits and other loans and advances. However, the debtor period stood comfortable at 37 days in 31st March 2022 as compared to 73 days in 31st March 2021. Further, the inventory holding stood comfortable at 13 days on 31st March 2022 as compared to 28 days on 31st March 2021. Acuité believes that the working capital operations of the group will remain almost at same level as evident from high other current assets over the medium term.

Rating Sensitivities

- Continuous order flow in construction and transportation division
- Sustainability in revenue growth
- Elongation of working capital cycle

Material covenants

None

Liquidity Position

Strong

The group's liquidity is strong marked by steady net cash accruals of Rs.114.36 Cr as on March 31, 2022 as against long term debt repayment of Rs.46.97 Cr over the same period. The current ratio remains comfortable at 1.77 times as on March 31, 2022 and 1.91 times as on March 31, 2021. The fund based limit remains utilised at 55.65 per cent over the six months ended December, 2022. The cash and bank balances of the group stood at Rs.11.36 Cr as on March 31, 2022 as compared to Rs. 12.04 Cr as on March 31, 2021. However, the working capital management of the group is marked by high Gross Current Assets (GCA) of 173 days on 31st March 2022 as compared to 300 days on 31st March 2021. Acuité believes that going forward the group will maintain strong liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on RKTC group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1088.12	485.09
PAT	Rs. Cr.	68.09	42.75
PAT Margin	(%)	6.26	8.81
Total Debt/Tangible Net Worth	Times	1.21	1.01
PBDIT/Interest	Times	5.63	5.23

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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
12 Apr 2022	Proposed Bank Guarantee	Short Term	70.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	31.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	13.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Assigned)
	Proposed Cash Credit	Long Term	10.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE A Stable (Assigned)
31 Mar 2022	Cash Credit	Long Term	10.00	ACUITE A Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A1 Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A1 Reaffirmed
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	31.00	ACUITE A1 Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE A1 Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A1 Reaffirmed
A U Small Finance Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A1 Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A Stable Reaffirmed
A U Small Finance Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A1 Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A 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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