Press Release

RAJ INFRASTRUCTURE DEVELOPMENT INDIA PRIVATE LIMITED

April 05, 2024

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB | Stable | Assigned	-
Bank Loan Ratings	80.00	-	ACUITE A3+ | Assigned
Total Outstanding Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of **'ACUITÉ BBB' (read as ACUITE triple B)** and short-term rating of **'ACUITÉ A3+' (read as ACUITE A three plus)** on the Rs. 100.00 Cr. bank facilities of Raj Infrastructure Development India Private Limited (RIDIPL). The outlook is **'Stable'**.

Rationale for rating

The rating assigned reflects the established track record of operations and experience of the promoters in the industry. The rating also factors in the healthy financial risk profile of the company with below unit debt/equity ratio and strong debt protection metrics. Further, it considers the adequate liquidity position of the company with moderate bank limit utilization both fund and non-fund based. However, the rating is constrained due to intense competition within the industry owing to low entry barrier, susceptibility of operating margin to volatility in input material prices and labour charges, geographical concentration risk as RIDIPL mostly operates in Maharashtra and risk associated with tender based nature of operations.

About the Company

Raj Infrastructure Development India Private Limited, established in 1996 and headquartered in Maharashtra, The Directors of the company are Mr. Ram Udaysing Nimbalkar, Ms. Rutuja Ram Nimbalkar and Mr. Adhiraj Ram Nimbalkar. The company mainly focusses on Highway Construction, Bridges, Irrigation Projects, Land Development, Industrial Construction, Residential Construction, Public Private Projects. Company's clients includes various government entities such as NHAI, MoRTH, PWD, MSRDC, MIDC and several other corporations.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Raj Infrastructure Development India Private Limited (RIDIPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and healthy order book-

The company is managed by Mr. Ram Nimbalkar, Director, along with Ms. Rutuja Ram Nimbalkar and Mr. Adhiraj Ram Nimbalkar and a team of experienced personnel. The directors have over two decades of experience in construction business. It has successfully completed various projects with various reputed counterparties like NHAI, Public Works Departments, Maharashtra and MSRDC to name a few. The long-standing experience of the promoter and long track record of operations has helped the company to establish comfortable relationships with key suppliers and reputed customers.
Acuité believes that the long track record and rich experience of the promoters' augur well for the relationship with their key suppliers and customers. The company has healthy order book position with unexecuted orders in hand worth of around Rs. 932 crore which are to be executed in the upcoming two to three years, thereby providing revenue visibility over the medium term.
The company has achieved a revenue of Rs 738.18 Cr. in FY 2023 as against Rs 208.13 Cr. in FY 2022. However, increase in revenue in FY 2023 is majorly due to one project- Samruddhi Mahamarg, which is almost completed now. The revenue achieved till January 2024 stood at Rs 190 Cr. And the company is expected to achieve a revenue of Rs 325 Cr. for FY 2024.

Acuité believes that the RIDIPL shall continue to benefit from established track record of operations and healthy order book position.

Healthy financial risk profile

The financial risk profile of the company is healthy marked by healthy net worth, low gearing, and strong debt protection metrics. The net worth of the company stood at Rs.228.98 crore in FY 2023 as compared to Rs 126.76 crore in FY2022. The increase in net-worth is majorly due to the accretion of profits to the reserves. The company follows a conservative financial risk policy reflected through its peak gearing of 0.53 times as on 31st March 2021. The gearing of the company stood at 0.17 times as on 31st March 2023 as compared to 0.40 times as on 31st March 2022. The gearing is expected to remain at similar levels over the medium term on account of absence of any debt funded capex plans and modest incremental working capital requirements. The TOL/TNW of the company stood at 0.57 times as on 31st March 2023 as against 0.85 times as on 31st March 2022. Further, debt protection metrics stood comfortable with Interest coverage ratio (ICR) stood at 32.92 times as on 31st March 2023 as against 8.35 times as on 31st March 2022. The debt service coverage ratio (DSCR) of the company stood at 9.99 times as on 31st March 2023 as compared to 2.42 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 3 times as on 31st March 2023 as compared to 0.79 times in the previous year.

Acuite believes the financial risk profile of the company may continue to remain healthy on account of expected steady net cash accruals and absence of any major debt-funded capex over the near term

Moderate working capital management

The working capital operations of the company are moderate in nature marked by GCA days of 74 days in FY2023 against 184 days in FY2022. The debtors' collection period stood at 39 days in FY2023 as against 72 days in FY2022.The inventory days for the company stood at 13 days in FY2023 as against 96 days in FY2022. Also the creditors days stood at 20 days in FY2023 as against 113 days in FY2022. Furthermore, the average utilization of working capital for fundbased limits remained moderate, averaging around 71.45% over the last 10 months ending January 2024.

Acuite believes that ability of the company to manage its working capital at similar levels going forward is a key rating sensitivity.

Weaknesses

Competition in construction segment, and to tender-based operations

Although the company has a long-standing presence of more than 20 years in the industry, as almost all its sales are tender based, the revenue depends on the company's ability to bid successfully for tenders. RIDIPL specialises in civil works related to construction of roads and irrigation projects mainly for Government of Maharashtra and NHAI. The company faces competition from large players, as well as many local and small unorganised players, adversely affecting the profitability. Currently all their projects are situated in Maharashtra. This increases the geographical concentration risk significantly. Nonetheless, the company is bidding for projects in new territories which is expected to mitigate the geographic concentration risk to some extent.

Susceptibility of operating margin due to volatility in input material prices and labour charges

The basic input materials for execution of construction projects and works contracts are steel, stone chips, cement, and structures etc. The prices of which are highly volatile. However, currently government agencies' work contracts have price escalation clause which mitigate price volatility risk to some extent. Furthermore, the operating margin of the company is exposed to sudden spurt in the input material prices along with increase in labour prices being in labour intensive industry.

Rating Sensitivities

Improvement in scale of operation while improving the profitability margin.
Timely execution of orders
Sustenance of existing financial risk profile with healthy capital structure.

Liquidity Position

Adequate

The company's liquidity position is adequate, and the company has sufficient net cash accruals of Rs.114.21 Cr. in FY2023 as against its maturity debt obligations of Rs. 7.21 Cr. during the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs. 54.25 – 69.49 crores as against the maturing repayment obligations of around Rs.10-11 crore over the medium term. Further, the working capital management of the firm is moderate marked by GCA days of 74 days in FY2023 as against 184 days in FY2022. The current ratio stands at 2.06 times as on 31st March 2023 as against 1.62 times as on 31st March 2022.Further, the average bank limit utilization for the past 10 months ending January 2024 is averaging around 71.45% percent. The company has an unencumbered cash and bank balance of Rs 60.30 Cr. as on 31st March 2023.
Acuite believed that liquidity position of the company may continue to remain adequate with steady cash accruals.

Outlook: Stable

Acuite believes the outlook on RIDIPL will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management along with healthy order book position and financial risk profile. The outlook may be revised to 'Positive' if the company is able to successfully acquire higher orders which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by RIDIPL leading to deterioration in revenue and profitability along with financial risk profile 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.	738.18	208.13
PAT	Rs. Cr.	103.41	32.18
PAT Margin	(%)	14.01	15.46
Total Debt/Tangible Net Worth	Times	0.17	0.40
PBDIT/Interest	Times	32.92	8.35

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, Acuité 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 :
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	80.00	ACUITE A3+ | Assigned
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB | Stable | Assigned

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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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