



Press Release
R A J KRISHNA CONSTRUCTION COMPANY PRIVATE LIMITED
June 03, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.50	ACUITE BB Stable Assigned	-
Bank Loan Ratings	16.50	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	40.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and a short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.40.00 Cr. bank facilities of R A J Krishna Construction Company Private Limited (RKCCPL). The outlook is '**Stable**'.

Rationale for Rating

The assigned rating factors in the improvement in the company's scale of operations marked by an operating income of Rs.38.72 Cr. in FY2023 as against Rs.35.60 Cr. in FY2022. The assigned rating also positively factors in the experienced management in civil construction business, appointment of highly experienced professionals in the Board, leading to repeat orders. Additionally, the financial risk profile of the company remained moderate marked by gearing (D/E: 1.07 times as on March 31, 2023), adequate liquidity position and healthy order book position with unexecuted orders in hand of Rs.500.00 Cr. as on 31st March 2024, which will be executed in near to medium term. These strengths are partly offset by working capital intensive nature of operations of the company marked by high GCA days of 249 days in FY2023 on account of high debtor collection period which stood at 89 days in FY2023. However, Acuite notes that the elongated receivable cycle is due to company usually awaits clearance of final bills for its completed projects. Acuite also considers the reputed client base consisting of government, semi-government agencies, thereby reducing the counter party risk. It also remains constrained by risk related to tender based nature of business, volatility in raw material prices and intense competition in the civil construction industry.

About the Company

Incorporated in 2009, R A J Krishna Construction Company Private Limited is a Delhi based construction company engaged in the business of construction of residential and commercial units. The present directors of the company are Mr. Joy Bahl and Mr. Arvind Bahl.

Unsupported Rating

Not applicable.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of R A J Krishna Construction Company Private Limited (RKCCPL) to arrive at the rating.

Key Rating Drivers**Strengths**

Experienced management and established track record of operations

The company has a long track record of over a decade in the civil construction business with an established track record of project execution related to residential and commercial units on EPC basis. Currently the company is managed by the present directors of the company are Mr. Joy Bahl and Mr. Arvind Bahl, who has been associated with this industry for over a decade.

Improvement in the scale of operations

The company witnessed an improvement in its scale of operations marked by an operating income of Rs.38.72 Cr. in FY2023 as against Rs.35.60 Cr. in FY2022. It has achieved a revenue of Rs.32 Cr. approximately in the 12FY24. Further, RKCCPL has healthy unexecuted order book to the tune of Rs.500 Crore approximately as on 31st March 2024 which shall be executed in near to medium term. The ability of the company to bag new orders and timely execution of the existing orders will remain a key rating monitor able. Going forward, the EBITDA margin of the company stood at 11.13 per cent in FY2023 as against 12.03 per cent in FY2022 owing to input price volatility. Further, the PAT margin stood at 4.23 per cent in FY2023 against 4.94 per cent in FY2022. The company has achieved a total turnover of Rs.32 Crore approximately in last FY24 and expected an increase in the top-line in near to medium term supported by better margins as compared to previous years.

Below Average Financial Risk Profile

The financial risk profile of the company is below average marked by net-worth of Rs.14.50 Crore as on 31st March 2023 against Rs.12.86 Crore as on 31st March 2022. The increase in the net-worth is on an account of accretion of profits into reserves. Further, the total debt of the company stood at Rs.15.56 Crore as on 31st March 2023 against Rs.9.54 Crore as on 31st March 2022. The capital structure of the company is moderate marked by gearing ratio of the company which stood at 1.07 times as on 31st March 2023 against 0.74 times as on 31st March 2022. Further, the coverage indicators of the company improved reflected by interest coverage ratio and debt service coverage ratio of the company stood at 3.04 times and 1.53 times respectively as on 31st March 2023 against 3.01 times and 2.06 times respectively as on 31st March 2022. The TOL/TNW ratio of the company stood at 2.11 times as on 31st March 2023 against 1.98 times as on 31st March 2022 and DEBT-EBITDA of the company stood at 3.46 times as on 31st March 2023 against 2.16 times as on 31st March 2022. Acuite believes that financial risk profile of the company is expected to improve in near to medium term in the absence of any additional long term debt taken.

Weaknesses

Working Capital Intensive operations

The working capital operations of the company is intensive marked by GCA days which stood at 249 days as on as on 31st March 2023 against 238 days as on 31st March 2022. The bills on EPC business are mostly raised towards year end, resulting in skewed receivable cycle towards year end resulted into higher debtor days 89 days as on 31st March 2023 against 127 days as on 31st March 2022. The EPC business retains a naturally elevated working capital intensity, attributed to prolonged project execution timelines, payments tied to project milestones, and the release of retention money. Further, the inventory holding stood at 4 days in 31st March 2023 as compared to 19 days in 31st March 2022. Further, the average bank limit utilization of the company stood at 80% approximately in last seven months ended March 2024. Acuite believes that the working capital operations of the company will remain at similar levels over the medium term and will remain a key monitor able.

Highly Competitive Industry

The infrastructure is a fairly fragmented industry with a presence of few large pan India players where subcontracting & project specific partnerships for technical/financial reasons are fairly common. The company faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Moreover, susceptibility of raw material pricing again keeps profit margin vulnerable risk and key sensitivity factor. However, presence of price escalation clause prevents the company from exposure to raw material price fluctuations to some extent. Also, the vast experience of the promoters gives the company an edge in procuring

big size ticket orders but the stability of the order size in diversified segment is the key sensitive factor.

Rating Sensitivities

- Improvement of the scale of operations along with significant improvement in the profitability margins.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity.
- Timely execution of its order book leading to substantial improvement in scale of operations while maintaining profitability margins over the medium term.

Liquidity Position Adequate

The liquidity profile of the company is adequate. The company have generated net cash accruals of Rs.2.32 Crore as on 31st March 2023 against the debt repayment obligation of Rs.1.01 Crore in the same period. Going forward, the company is expected to generate net cash accruals under the range of Rs.10 Crore against the debt repayment obligations of almost nil in near to medium term. The current ratio of the company stood at 1.61 times as on 31st March 2023 against 1.05 times as on 31st March 2022. Further, the average bank limit utilization of the company stood at 80% approximately in last seven months ended March 2024. The cash and bank balance available with the company stood at Rs.0.11 Crore as on 31st March 2023 against Rs.0.12 Crore as on 31st March 2022. Acuité believes that the liquidity position of the company is likely to remain adequate backed by the steady accruals.

Outlook: Stable

Acuité believes that RKCCPL will continue to maintain a 'stable' outlook over the medium term due to its experienced management and established track record along with moderate order book position. The outlook may be revised to 'Positive', in case of higher than-expected revenues and profitability, while maintaining its capital structure and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case RKCCPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leads to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	38.72	35.60
PAT	Rs. Cr.	1.64	1.76
PAT Margin	(%)	4.23	4.94
Total Debt/Tangible Net Worth	Times	1.07	0.74
PBDIT/Interest	Times	3.04	3.01

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 :

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
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE A4+ Assigned
Bank of Maharashtra	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE A4+ Assigned
Punjab and Sind Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE A4+ Assigned
Punjab and Sind Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BB Stable Assigned
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.50	ACUITE BB 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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