

November 13, 2013

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.00	SMERA B+/Stable (Assigned)
Cash Credit	1.80	SMERA B+/Stable (Assigned)
Bank Guarantee	5.00	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (**read as SMERA Single B Plus**) to the Rs.2.80 crore long-term bank facilities and '**SMERA A4**' (**read as SMERA A Four**) to the Rs.5.00 crore short-term bank facility of Ratan Kumar Das (RKD). The outlook is '**Stable**'. The ratings are constrained by the firm's small scale of operations, geographical and customer concentration risk and moderate financial profile. The ratings are further constrained by the firm's exposure to the intense competition prevalent in the construction industry and the risks associated with tender-based business. However, the ratings derive support from the firm's long and established track record of operations, experienced management and moderate order book position.

RKD, established in 1998, is a Kolkata-based civil construction firm. RKD has a relatively small scale of operations with total operating income of Rs.16.86 crore (provisional) in FY2012–13 (refers to financial year, April 01 to March 31). The firm's operations are mainly concentrated in the state of Paschim Banga. RKD is exposed to high customer concentration risk as the firm derived about 80 per cent its total operating income (in FY2012–13) from various divisions of the Indian Railways. Moreover, all of the firm's pending contracts as on August, 2013 are from the Indian Railways.

RKD has a moderate financial profile marked by a low net worth of Rs.3.07 crore as on March 31, 2013. Moreover, the firm has advanced loans worth Rs.0.64 crore (as on March 31, 2013) to the family members of the promoter. RKD has also invested Rs.0.64 crore (as on March 31, 2013) in properties. The firm's net profit margin declined from 5.78 per cent in FY2012–13 to 4.32 per cent in FY2011–12 mainly due to increase in borrowing cost.

RKD has total pending contracts worth Rs.121.3 crore (as on August 30, 2013), which are likely to be executed by FY2014–2015. The firm is exposed to the intense competition prevalent in the construction industry. Moreover, the firm is highly dependent on winning government tenders.

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Mr. Ratan Kumar Das, Proprietor of RKD, has around two decades of experience in the construction industry.

### **Outlook: Stable**

SMERA believes the outlook on RKD's rated facilities will remain stable over the medium term on account of the firm's long and established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers an increase in its scale of operations with continuous order inflows, better profitability and timely execution of projects. Conversely, the outlook may be revised to 'Negative' in case the firm fails to scale up its operations or in case of deterioration in the firm's profitability and debt protection metrics.

### **About the firm**

RKD, established in 1998, is a Kolkata-based proprietorship concern promoted by Mr. Ratan Kumar Das. RKD is engaged in undertaking civil, electrical and mechanical contracts for government bodies. The firm caters to various government-owned entities including Metro Railways, Eastern Railways, Rail India Technical and Economic Service Limited, Hoogly River Bridge Corporation, Public Works Department and NTPC Ltd.

For FY2011-12, RKD reported PAT of Rs.0.76 crore on operating income of Rs.13.19 crore as compared with PAT of Rs.1.02 crore on operating income of Rs.19.70 crore for FY2010-11. For FY2012-13 (as per provisional financial statements), RKD reported PAT of Rs.0.73 crore on operating income of Rs.16.87 crore. RKD's net worth stands at Rs.3.07 crore as on March 31, 2013 as compared with Rs.2.55 crore a year earlier.

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