



Press Release

Rajkamal Builders Infrastructure Private Limited

October 12, 2020

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Cash Credit	17.00	IVR A - /Stable (IVR Single A Minus with Stable Outlook)	Assigned
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	383.00 (Including Proposed limit of Rs.95.00 crore)	IVR A2+ (IVR A Two Plus)	Assigned
Total	400.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Rajkamal Builders Infrastructure Private Limited (RBIPL) derives comfort from its experienced promoters with proven project execution capability and reputed clientele indicating low counterparty risk. The ratings also positively factor in its stable financial performance with improvement in scale in operations of the Rajkamal Group in FY20 (Provisional), comfortable capital structure coupled with healthy debt protection metrics and strong order book position indicating healthy near to medium term revenue visibility supported by strong demand potential of waste water management segment. However, these rating strengths are partially offset by geographical concentration risk, susceptibility of operating margin to volatile input prices and working capital intensive nature of operations.

Key Rating Sensitivities:

Upward factors

- Sustained improvement in the revenue and debt protection metrics while maintaining the profitability and credit metrics
- Reduction in concentration risks
- Improvement in the working capital management with improvement in operating cycle and liquidity

Downward factors



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- Increase in concentration risk, dip in the revenue and/or profitability and/or an increase in the gross working capital cycle
- Moderation in the capital structure with moderation in the overall gearing to below 1x
- Significant deterioration in debt protection parameters and /or liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

RBIPL is managed by the Promoter Director Mr. Mafatlal Bhagwandas Patel who is also the Chairman of the company. He is a civil engineer by qualification and possesses over four decades of experience in the construction industry. He is supported by the other Directors who are members of the same family with adequate experience in the industry. The promoters are well supported by a team of experienced professionals, who are at the helm of managing day to day affairs of the company.

Proven project execution capability

Over the past years, the group has successfully completed many projects primarily in the state of Gujarat and ensured timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities.

Reputed clientele albeit customer concentration

RBIPL mainly bids for tenders floated by various government departments/entities and is engaged in civil construction of roads, bridge, building, pipeline, sewerage and water treatment plant, etc. However, top five customers cater to almost ~94% of total operating income in FY20 (provisional), indicating a concentrated customer profile. Though customers being government departments imparts comfort with low counterparty risk.

Strong order book reflecting satisfactory near to medium-term revenue visibility

The company has a strong total unexecuted order book of ~Rs.1377.60 crore as on June 30, 2020 (comprising construction and water treatment plant installation orders and maintenance contracts) which is about 3.62 times of its FY20 (provisional) of operating revenue (i.e. ~Rs.380.85 crore). The construction and water treatment plant installation orders are expected



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to be completed within next one-two years and maintenance contracts are for 1-5 years, indicating a satisfactory near to medium term revenue visibility.

Stable financial performance with improvement in scale of operations of the Rajkamal Group (RKG) in FY20 (Prov.)

Total operating income of the Rajkamal group increased at a CAGR of ~25% during FY18 to FY20 (Prov.) with a y-o-y growth of ~18% from Rs.342.60 crore in FY19 to Rs.405.93 crore in FY20 (Prov.) driven by increased flow of orders primarily for setting up of sewerage treatment plants (STP) and higher execution of the same. RKG has been increasing its presence in STP segment over the past five years and is specialised in this segment. The EBITDA margin of RKG moderated from 13.87% in FY18 to 10.50% in FY19 due to relatively low margin contract execution and lower absorption of overheads. However, EBITDA margin improved marginally from 10.50% in FY19 to 11.44% in FY20 (Prov.) on account of execution of relatively higher margin contracts and higher absorption of fixed overheads. Consequently, PBT and PAT margin also improved marginally from 8.87% and 6.14% respectively in FY19 to 9.19% and 6.36% respectively in FY20 (Prov.).

On a standalone level, Total operating income of RBIPL increased at a CAGR of ~19% during FY18 to FY20 (Prov.) with a y-o-y growth of ~20% from Rs.315.33 crore in FY19 to Rs.380.85 crore in FY20 (Prov.) along with improvement in GCA from Rs.18.20 crore in FY19 to Rs.19.23 crore in FY20 (Prov.). During Q1FY21, RBIPL achieved a turnover of Rs.41.84 crore with PBT of Rs.3.58 crore.

Comfortable capital structure with healthy debt protection metrics of the group

The capital structure of the group remained comfortable with the overall gearing at 0.47x as on March 31, 2020 (prov.) (0.34x as on March 31, 2019). Debt protection parameters also remained comfortable with interest coverage ratio of 6.60x in FY19 and 6.31x in FY20 (prov.). Total debt to GCA remained moderate with 2.33x in FY19 and 3.17x in FY20 (prov.).

Strong demand potential

The company undertake turnkey projects for water, sewage and effluent treatment. The plants have been installed mainly at municipal locations. In India the demand for STP's is high as the water infrastructure and waste water management is relatively a newer concept in the country and has immense scope going forward.

Key Rating Weaknesses

Geographical concentration risk



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The present order book is skewed towards Gujarat, Rajasthan and Madhya Pradesh indicating a geographical concentration risk. However, the company has adequate experience in order to execute projects in these states which provides a comfort.

Susceptibility of operating margin to volatile input prices

The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, presence of escalation clause in most of the contracts protect the margin to an extent.

Working capital intensive nature of operations

RKG has working-capital-intensive operations, marked by its elongated operating cycle. Infomerics believes that RBG's operations will remain working capital intensive over the medium term.

Analytical Approach: Consolidated. For arriving at the ratings, INFOMERICS analytical team has combined the financials of Rajakaml Builders Infrastructure Private Limited and M/s Rajkamal Builders, together referred as Rajkamal Group (RKG) as these entities have a common management team and strong operational & financial linkages. M/s Rajkamal Builders is mainly work as a sub-contractor of Rajakaml Builders Infrastructure Private Limited. The list of companies is given in Annexure 2.

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals vis-à-vis its insignificant debt repayment obligations during FY21-23. Further, on the back of its comfortable capital structure, the group and RBIPL on a standalone basis has adequate gearing headroom. The average CC utilisation for the past twelve months ended August, 2020 also remained comfortable at ~60% indicating a sufficient cushion. The cash and bank balance of the company remained satisfactory at Rs.6.54 crore as on August 31, 2020.

About the Company



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Rajkamal Builders Infrastructure Private Limited (RBIPL; erstwhile Rajakaml Builders) was initially incorporated as a partnership firm in 1979 by Ahmedabad, Gujrat based Mr. Mafatlal Patel and Mr. Shankerlal Patel which later got converted into a private limited company in 1998. RBIPL is a “AA” class registered contractor with the Government of Gujarat and is engaged in civil construction and undertakes construction of bridges, roads, residential and commercial buildings, sewage treatment plant (STP), sewage pipeline, water treatment plant (WTP) and water pipeline facilities mainly for Municipal Corporations, Public Works Division, Railway Department, State and Central Government departments and companies. The company primarily has presence in Gujarat, Rajasthan and Madhya Pradesh. The Group has another entity in the name of Rajkamal Builders (RB; unrated) which does the subcontracting work for RBIPL. RB is solely engaged in execution of its group company’s contracts and does not accept external works. Over the years, the group become specialized in installation and maintenance of Sewage Treatment plants.

Financials (Consolidated):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	342.60	405.93
Total Income	347.86	410.21
EBITDA	35.97	46.46
PAT	21.38	26.08
Total Debt	57.31	90.60
Tangible Net worth	170.11	192.79
EBITDA Margin (%)	10.50	11.44
PAT Margin (%)	6.14	6.36
Overall Gearing Ratio (x)	0.34	0.47

^Inter company transactions has been adjusted

**As per Infomerics’ Standard*

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	315.33	380.85
Total Income	320.28	385.04
EBITDA	24.16	28.99
PAT	15.50	17.32
Total Debt	25.84	55.18
Tangible Net worth	138.98	156.30
EBITDA Margin (%)	7.66	7.61



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For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
PAT Margin (%)	4.84	4.50
Overall Gearing Ratio (x)	0.19	0.35

*As per Infomerics' Standard

Status of non-cooperation with previous CRA:

CRISIL Ratings has moved the rating of RBIPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated August 19, 2019.

Acuite Ratings has moved the rating of RBIPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated December 17, 2019.

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	17.00	IVR A-/ Stable Outlook	-	-	-
2.	Bank Guarantee	Short Term	383.00 (including proposed limit of Rs.95.00 crore)	IVR A2+	-	-	-

*outstanding as on August 31, 2020

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Didwania	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: hdidwania@infomerics.com	Email: apodder@infomerics.com

About Infomerics:



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Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	17.00	IVR A- / Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	383.00 (including proposed limit of Rs.95.00 crore)	IVR A2+

Annexure 2:

List of companies considered for consolidated analysis

Name of the Company	Consolidation Approach
Rajkamal Builders Infrastructure Private Limited	Full consolidation
Rajkamal Builders	Full consolidation