



Press Release

Radhe Associate

July 11, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Instruments/Facilities	19.50	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Short Term Instruments/Facilities	20.50	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	40.00 (Rupees Forty Crore Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned ratings to bank facilities of Radhe Associate, that factors in experienced partners with an established track of operations in the construction industry, decent order book position and stable financial profile of the firm with growing scale of operations and improving profitability metrics. The ratings remain constrained by geographical and sectoral concentration risk, susceptibility of profit margins to volatility in raw material prices along with presence in a highly competitive industry.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
- Improvement of the capital structure with improvement in debt protection metrics.

Downward Factors

- Substantial decline in the scale of operation and profitability leading to deterioration of debt protection metrics
- Any unplanned debt-funded capex leading to deterioration in debt protection metrics.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced partners with established track record of operations in the construction industry.**

The partners of Radhe Associate have experience of around two decades in the construction industry. Over the years, the partners have developed healthy relationships with clients. On the back of their experience, the firm has executed various Government contracts majorly relating to bridge work and road work.

- **Strong order book reflecting satisfactory medium-long term revenue visibility.**

The firm has an unexecuted order book of Rs. 905.21 crore as of February 2024. The same is executable in upcoming 12-48 months, which is equivalent to 4.22 times of FY24 (Provisional) (refers to the period from April 01, 2023, to March 31, 2024) revenue, providing healthy revenue visibility over medium to long term. The firm also has twenty orders under bidding amounting to Rs. 232.92 crores. Infomerics Ratings notes that materialization of the bided contracts and garnering of new contracts will be a key monitorable for the firm, going forward.

- **Sound financial profile of the firm with increasing scale of operations and improving profitability metrics**

Radhe Associate's total operating income increased to Rs. 215.12 crore in FY24 (Provisional) from Rs. 168.96 crore in FY23, registering a total income growth of 23% in FY24 (Provisional) against the previous year. The improvement is on account of flow of new orders coupled with better execution of existing orders. The EBITDA margin of the firm improved to 5.61% (FY23: 5.50%) in FY24 (Provisional). The PAT also increased to Rs. 7.65 crore in FY24 (Provisional) with an improved PAT margin of 3.53% against PAT of Rs. 5.19 crore in FY23 and a PAT margin of 3.02%.

The capital structure of firm also improved with overall gearing at 1.09x as on March 31, 2024 (Provisional), as against at 1.58x as on March 31, 2023. TOL/TNW has also improved and stood at 2.96x as on March 31, 2024 (Provisional), against 3.77x as on March 31, 2021. Interest coverage improved from 1.58x times in FY23 to 2.50x times in FY24 (Provisional)



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attributable to improvement in EBITDA and reduction in interest cost. DSCR stood comfortable at 2.02x in FY24 (Provisional).

Key Rating Weaknesses

- **Geographical and Sectoral concentration risk**

The present order book of Radhe Associate is majorly skewed towards civil construction in the state of Gujarat from various Government departments indicating a geographical and sectorial concentration risk. However, the firm has adequate experience in executing government projects which provides comfort to some extent.

- **Susceptibility of operating margins to volatile input prices**

Major raw materials used in civil construction activities are steel and cement which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales in this industry. As the raw material prices & labour cost are volatile in nature, the profitability of the firm is vulnerable to fluctuation in raw material prices & labour cost.

- **Presence in a highly competitive industry**

The domestic infrastructure/construction sector is highly crowded with presence of many players. Boom in the infrastructure sector a few years back, resulted in increase in the number of players leading to a more competitive environment. Besides, the firm secures its contracts through tender based mechanism, exposing it to risks associated with the same.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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Liquidity – Adequate

Radhe Associate has cash and bank balance of Rs. 0.31 crore as on March 31st, 2024(Provisional). The firm has reported satisfactory current ratio at 1.34x as on March 31, 2024, to meet its near-term cash requirements. Also, the firm's consolidated average working capital utilization for twelve months ended March 2024 stands at 85.99%.

The liquidity position of the Radhe Associate is expected to remain favourable with adequate gross cash accruals relative to debt-servicing obligations during FY25-FY27. Moreover, the firm does not have any major capital expenditure plan in the near to medium term. The same is expected to support the firm's liquidity position.

About the Firm

Radhe Associate is a partnership firm located in Mehsana, Gujarat and engaged in the business of construction of bridges, roads and buildings. It commenced its business activity in the year 2009 and is into construction industry for 15 years.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	191.40	168.96
EBITDA	10.77	9.29
PAT	7.26	5.19
Total Debt	63.29	45.87
Tangible Net Worth	26.40	28.99
EBITDA Margin (%)	5.63	5.50
PAT Margin (%)	3.74	3.02
Overall Gearing Ratio (x)	2.40	1.58
Interest Coverage (x)	2.14	1.58

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

Brickwork Ratings vide its press release dated December 06, 2023, classified the case under Issuer Not Co-operating category on account of non-submission of adequate information and No Default Statement for more than three months.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Fund Based – Bank Facilities – Cash Credit	Long Term	19.50	IVR BBB-/ Stable	-	-	-
2.	Short Term Non-Fund Based Bank Facilities- Bank Guarantee	Short Term	20.50	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.



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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based – Bank Facilities – Cash Credit	-	-	-	Revolving	19.50	IVR BBB-/ Stable
Short Term Non-Fund Based Bank Facilities- Bank Guarantee	-	-	-	-	20.50	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Radhe-Associate-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.