



Press Release

Rajkamal Builders Infrastructure Private Limited

May 11, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	15.25 (Reduced from Rs.17.00 crore)	IVR A-/ Stable (IVR Single A minus with stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	379.60 (Reduced from Rs.383.00 crore)	IVR A2+ (IVR A Two plus)	Reaffirmed	Simple
Total	394.85 (INR Three hundred ninety-four crore and eighty five lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Rajkamal Builders Infrastructure Private Limited (RBIPL) considers the close operational & financial linkages between RBIPL and its group concern, Rajkamal Builders. Infomerics has taken a combined view on these entities referred together as Rajkamal group. The reaffirmation of the ratings assigned to the bank facilities continues to derive comfort from its experienced promoters with proven project execution capability coupled with reputed clientele indicating low counterparty risk. The ratings also positively note the strong outstanding order book position of Rs.1267.54 crore as on February 28, 2023 indicating a healthy medium term revenue visibility. The ratings also take into account the comfortable capital structure of the company coupled with healthy debt coverage indicators in FY2022 and in FY2023 (Provisional). However, these rating strengths are partially offset by moderation in top line and operating margin in FY2023 (Provisional). Also, the ratings remain constrained due to Rajkamal group's exposure to geographical concentration risks, susceptibility of operating margin to volatile input prices and working capital intensive nature of its operations. Further, the ratings also note slow progress in execution in some of its construction orders.

Key Rating Sensitivities

Upward Factors:



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- A 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:

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

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

RB IPL 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 Rajasthan and ensured timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities.

- **Reputed clientele**

RB IPL 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. Since all the customers being government departments imparts comfort with low counterparty risk.

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

As on February 28, 2023, RB IPL has a healthy unexecuted order book of about Rs.1267.54 crore (including Operation and Maintenance work), i.e., 3.59 times of its FY23 (provisional)



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total operating income (i.e.Rs.352.89 crore), thereby providing healthy medium-term revenue visibility. The present order book is skewed towards road construction and STP (Sewage Treatment Plant) contracts in Rajasthan, Gujarat and Madhya Pradesh. Most of the orders are expected to be executed in the next 1-3 years and the O&M work will be completed in the next five-ten years depending on the terms of the contract years. Timely execution and completion of the orders would remain a key monitorable going forward.

- **Comfortable capital structure with healthy debt protection metrics**

The capital structure of the group remained comfortable with overall gearing of 0.56x as on March 31, 2023 (Provisional) as against 0.78x as on March 31, 2022. The improvement in overall gearing is owing to overall reduction in debt levels in FY2023 (Provisional) as compared to FY2022. Further with reduction in interest cost in FY2023 (Provisional), debt coverage indicators also improved with ICR of 2.44x in FY2023 (Provisional) as against 1.61x in FY2022 and total debt to GCA of 7.68x in FY2023 (Provisional) as against 12.23x in FY2022. Total indebtedness as reflected by TOL/TNW also stood comfortable at 0.97x as on March 31, 2023 (Provisional).

- **Strong demand potential**

The company undertakes 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 wastewater management is relatively a newer concept in the country and has immense scope going forward.

Key Rating Weakness:

- **Moderation in total operating income (TOI) and operating margin in FY2023 (Provisional)**

The TOI of the group, moderated by ~13% in FY2023 (Provisional) to Rs.352.89 crore from Rs.409.02 crore in FY2022 due to delays in execution of major orders owing to land possession not being available timely by the department. With moderation in TOI, operating profit also reduced from Rs.32.65 crore in FY2022 to Rs.27.54 crore in FY2023 (Provisional). Further, EBITDA margin moderated from 7.98% in FY2022 to 7.80% in FY2023 (Provisional) due to increase in raw material and other overhead costs. However, due to decrease in interest cost from Rs.20.33 crore in FY2022 to Rs.11.29 crore in FY2023 (Provisional) owing to reduction in overall debt levels in FY2023 (Provisional), PAT increased from Rs.10.22 crore in FY2022 to Rs.13.91 crore in FY2023 (Provisional). Gross cash accruals also improved in FY2023. On a standalone level, Total operating income of RBIPL moderated by ~21% y-o-y



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in FY23 (Provisional) to Rs.324.06 crore from Rs. 410.36 crore in FY22 owing to delays in execution of some of the work orders. Despite moderation in TOI, EBITDA margin has improved from 6.11% in FY22 to 7.69% in FY23 with better management of operating expenses and execution of few higher margin orders. Consequently, PBT and PAT margin also improved from 3.13% and 2.28% respectively in FY22 to 5.74% and 4.07% respectively in FY23 (Provisional). The company's ability to report healthy growth in its top line without compromise in margins will be a key rating monitorable going forward.

- **Geographical concentration risk**

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, presences of escalation clause in most of the contracts protect the margin to an extent.

- **Working capital intensive nature of operations**

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

Analytical Approach: Combined.

For arriving at the ratings, INFOMERICS analytical team has combined the financials of Rajakamal Builders Infrastructure Private Limited and M/s Rajkamal Builders, together referred as Rajkamal Group 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 entities is given in Annexure 3).

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning Rating Outlook](#)



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Liquidity Position: Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient cash accruals vis-à-vis its insignificant debt repayment obligations during FY24-FY26. Further, on the back of its comfortable capital structure, RBIPL has adequate gearing headroom. The average CC utilisation for the past twelve months ended February 2023 also remained comfortable at ~55% indicating a sufficient cushion.

About the Company

Rajkamal Builders Infrastructure Private Limited (RBIPL; erstwhile Rajkamal 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, Madhya Pradesh, Odisha and Maharashtra. Over the years, the RBIPL become specialized in installation and maintenance of Sewage Treatment plants. The promoters have another entity in the name of Rajkamal Builders (RB), which does the subcontracting work for RBIPL. RB is engaged in execution of its group company’s contracts and generally does not accept external works.

Financials: Combined

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Combined	Combined
Total Operating Income	409.02	352.89
EBITDA	32.65	27.54
PAT	10.22	13.91
Total Debt	153.16	119.60
Tangible Net worth	195.34	214.19
EBITDA Margin (%)	7.98	7.80
PAT Margin (%)	2.48	3.89
Overall Gearing Ratio (x)	0.78	0.56

**Classification as per Infomerics’ standards.*

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	410.36	324.06
EBITDA	25.06	24.94



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For the year ended* / As On	31-03-2022	31-03-2023
PAT	9.46	13.36
Total Debt	92.68	98.04
Tangible Net worth	184.38	197.77
EBITDA Margin (%)	6.11	7.69
PAT Margin (%)	2.28	4.07
Overall Gearing Ratio (x)	0.50	0.50

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: CRISIL Ratings has maintained 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 vide its Press Release dated March 13, 2023. Acuite Ratings has maintained 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 May 24, 2022.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Cash Credit	Long Term	15.25 (Reduced from Rs.17.00 crore)	IVR A-/ Stable	IVR A-/ Stable (April 27, 2022)	IVR A- Under Credit watch with developing implications (January 10, 2022)	IVR A-/ Stable Outlook (October 12, 2020)
2	Bank Guarantee	Short Term	359.60 (Reduced from Rs.383.00 crore)	IVR A2+	IVR A2+ (April 27, 2022)	IVR A2+ Under Credit watch with developing implications (January 10, 2022)	IVR A2+ (October 12, 2020)
3.	Letter of Credit	Short Term	20.00	IVR A2+	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Gupta Tel: (033) 46022266 Email: hdiidwania@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
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About Infomerics:



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Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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 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 / Outlook
Cash Credit	-	-	-	15.25 (Reduced from Rs.17.00 crore)	IVR A-/Stable
Bank Guarantee	-	-	-	359.60 (Reduced from Rs.383.00 crore)	IVR A2+
Letter of Credit	-	-	-	20.00	IVR A2+
Total	-	-	-	394.85	

Annexure 2: List of companies considered for consolidated analysis:

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



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Rajkamal Builders	Full consolidation
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Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-RajkamalBuilders-may23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.

