



## Press Release

### Rajkamal Builders Infrastructure Private Limited

**July 09, 2024**

#### Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities – Cash Credit	15.25	IVR A-; Stable (IVR Single A Minus with Stable outlook)	IVR A-; Stable (IVR Single A Minus with Stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Cash Credit	12.00	IVR A-; Stable (IVR Single A Minus with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities – Bank Guarantee	359.60	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Reaffirmed	Simple
Short Term Bank Facilities – Letter of Credit	20.00	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Reaffirmed	Simple
Short Term Bank Facilities – Bank Guarantee	28.00	IVR A2+ (IVR A Two Plus)	-	Assigned	Simple
<b>Total</b>	<b>434.85 (Rupees Four hundred and thirty- four crore and eighty- five lakhs only)</b>				

**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

The assignment and reaffirmation of ratings to the bank facilities of Rajkamal Builders Infrastructure Private Limited (RBIPL) considers the close operational & financial linkages between RBIPL and its group concerns, Rajkamal Build-Tech LLP, Devraj Infrastructure and M/s Rajkamal Builders. Infomerics Ratings has taken a combined view on these entities referred together as Rajkamal group. The ratings continue 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 improvement in financial performance in FY2024 (Provisional) and the strong outstanding order book position of Rs.1914.58 crore as on March 31, 2024, indicating a healthy medium term revenue visibility.



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The ratings also consider the comfortable capital structure of the company coupled with healthy debt coverage indicators in FY2024 (Provisional) [FY refers to the period from April 1 to March 31]. However, the ratings remain constrained due to Rajkamal group's exposure to geographical concentration risks, susceptibility of operating margin to volatile input prices, working capital intensive nature of its operations and exposure to intense competition.

The stable outlook reflects the experience of the promoters, reputed clientele, strong order book position and comfortable capital structure and debt protection metrics.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- A sustained improvement in the revenue while maintaining the profitability leading to improvement in debt protection metrics
- Reduction in concentration risks
- Improvement in the working capital management with improvement in operating cycle leading to improvement in liquidity

#### **Downward Factors**

- Dip in the revenue and/or profitability impacting the net cash accruals on a sustained basis
- Moderation in the capital structure with moderation in the overall gearing to over 1x and/or deterioration in debt protection parameters
- Increase in the gross working capital cycle leading to moderation in 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**



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Over the past years, the company 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**

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

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

As on March 31, 2024, RBIPL has a healthy unexecuted order book of about Rs.1914.58 crore (including Operation and Maintenance work of Rs.366.79 crore), i.e.3.69 times of its FY24 consolidated total operating income (i.e.Rs.518.83 crore), thereby providing healthy medium-term revenue visibility. The present order book is skewed towards road and bridge construction and STP contracts in Rajasthan, Gujrat 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.

### **Improvement in business performance in FY2024 (Prov.)**

Total operating income (TOI) on a consolidated level witnessed a y-o-y growth of ~46% from Rs.356.51 crore in FY2023 to Rs.518.83 crore in FY2024 (Prov.) driven by higher execution of orders majorly in the STP and bridge construction segment. Though EBITDA margin moderated marginally from 8.63% in FY2023 to 8.26% in FY2024 (Prov.), yet on an absolute basis, EBITDA increased from Rs.30.76 crore in FY2023 to Rs.42.88 crore in FY2024 (Prov.). Further the significant increase in non-operational income from Rs.4.58 crore in FY2023 to Rs.14.71 crore in FY2024 (Prov.) aided to the increase in PAT margin from 4.15% in FY2023 to 6.30% in FY2023 (Prov.). A major portion of the non-operational income generated in FY2024 (Prov.) pertains to interest received on income tax refund of earlier years which were under dispute to the tune of Rs.9.82 crore. Consequently, net cash accruals (NCA) increased from Rs.16.91 crore in FY2023 to Rs.34.50 crore in FY2024 (Prov.). The ability of the group to maintain its scale of operations without compromising on its profitability will be a key rating monitorable going forward.

### **Strong net worth base supported by comfortable capital structure and healthy debt protection metrics**



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The group has a strong net worth of base of Rs.269.64 crore as on March 31, 2024 (Prov.). The debt profile of the group constitutes small amount of term loans, unsecured loans from promoters & relatives and working capital borrowings. Overall gearing stood comfortable and improved from 0.61x as on March 31, 2023, to 0.36x as on March 31, 2024 (Prov.) owing to repayment of unsecured loans to promoters in FY2024. The outstanding amount of unsecured loans decreased from Rs.109.23 crore as on March 31, 2023, to Rs.72.29 crore as on March 31, 2024 (Prov.). Total indebtedness as reflected by TOL/TNW also stood comfortable at 0.83x as on March 31, 2024 (Prov.). With increase in overall profitability, the debt coverage indicators remained comfortable with ICR of 2.30x (1.71x in FY2023) in FY2024 (Prov.). Total debt/EBITDA and Total debt/GCA also improved from 4.26x and 7.76x respectively as on March 31, 2023, to 2.26x and 2.81x respectively as on March 31, 2024 (Prov.).

### **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 Weaknesses**

#### **Geographical concentration risk**

The present order book is skewed towards Gujarat, Rajasthan, Madhya Pradesh and Maharashtra 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, the risk is largely mitigated in the case of contracts that include an escalation clause.

#### **Working capital intensive nature of operations**

RBG 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.

**Intense competition in a fragmented industry with a tender-based contract-awarding system restricts margins**



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The civil construction industry is intensely competitive on account of its fragmented nature along with the presence of several players. This coupled with the lowest-bidding-business-procurement structure keeps the margins of all players, including RBG under check. Moreover, the company is also exposed to risks inherent in the construction sector, such as a slowdown in new order inflows and the risks of delays in execution.

### **Analytical Approach: Combined**

For arriving at the ratings, Infomerics has combined the financials of Rajkamal Builders Infrastructure Private Limited (RBIPL), Rajkamal Build-Tech LLP, Devraj Infrastructure and M/s Rajkamal Builders, together referred as Rajkamal Group (RKG) as these entities have a common management team and strong operational & financial linkages. Till FY2023, only M/s Rajkamal Builders and RBIPL were combined. From FY2024 onwards, all the four entities are combined due to strong operational & financial linkages. Rajkamal Build-Tech LLP, Devraj Infrastructure and M/s Rajkamal Builders majorly does the sub-contracting work for RBIPL. List of entities considered for combined analysis is given at Annexure 4.

### **Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)

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

[Consolidation of companies](#)

### **Liquidity – Adequate**

The liquidity of the group is expected to remain adequate in the near to medium term with sufficient cash accruals vis-à-vis its insignificant debt repayment obligations during FY25-27. Further, on the back of the comfortable capital structure with gearing of 0.36x as on March 31, 2024 (Prov.) on a consolidated level, the Rajkamal group has an adequate gearing headroom. The average CC utilisation for the past twelve months ended March 2024 also remained low at ~45% 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





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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 other entities in the name of Rajkamal Builders (RB), Rajkamal Build-Tech LLP (RBT LLP) and Devraj Infrastructure (DI) which does the subcontracting work for RBIPL. From FY2024 onwards, most of the subletting work of RBIPL is being done by RBT LLP and DI.

### Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	329.02	510.60
Total Income	333.11	525.24
EBITDA	29.93	28.60
PAT	18.58	21.24
Total Debt	107.80	86.22
Tangible Net worth	203.15	224.40
EBITDA Margin (%)	9.10	5.60
PAT Margin (%)	5.58	4.04
Overall Gearing Ratio (x)	0.53	0.38
Interest Coverage Ratio (x)	2.24	1.72

*\*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 May 16, 2024.

### Any other information:

### Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Rating (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
					<b>May 11, 2023</b>	<b>April 27, 2022</b>	<b>January 10, 2022</b>
1	Cash Credit	Long Term	15.25	IVR A-/Stable	IVR A-/Stable	IVR A-/Stable	IVR A- Under Credit watch with developing implications
2	Cash Credit	Long Term	12.00	IVR A-/Stable	-	-	-
3	Bank Guarantee	Short Term	359.60	IVR A2+	IVR A2+	IVR A2+	IVR A2+ Under Credit watch with developing implications
4	Letter of Credit	Short Term	20.00	IVR A2+	IVR A2+	-	-
5	Bank Guarantee	Short Term	28.00	IVR A2+	-	-	-

### Analytical Contacts:

Name: Ms. Harshita Gupta

Tel: (033) 46022266

Email: [hdidwania@infomerics.com](mailto:hdidwania@infomerics.com)

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: [apodder@infomerics.com](mailto:apodder@infomerics.com)

### 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.



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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](http://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: Security/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	27.25	IVR A-/Stable
Bank Guarantee	-	-	-	-	387.60	IVR A2+
Letter of Credit	-	-	-	-	20.00	IVR A2+

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Rajkamal-Builders-july24.pdf>

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

### Annexure 4: List of companies considered for Combined analysis:

Name of the Entity	Consolidation/Combined Approach
Rajkamal Builders Infrastructure Private Limited	Combined Approach
Rajkamal Build-Tech LLP	Combined Approach
Devraj Infrastructure	Combined Approach
Rajkamal Builders	Combined Approach





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**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](http://www.infomerics.com).

