



Press Release

Rajkamal Builders Infrastructure Private Limited

January 10, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicators
Long Term Fund Based Bank Facilities – Cash Credit	17.00 (Including Proposed limit of Rs.10 crore)	IVR A- Under Credit watch with developing implications (IVR Single A Minus Under Credit watch with developing implications)	Reaffirmed and placed under Credit watch with developing implications	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	383.00 (Including Proposed limit of Rs.40 crore)	IVR A2+ Under Credit watch with developing implications (IVR A Two Plus Under Credit watch with developing implications)	Reaffirmed and placed under Credit watch with developing implications	Simple
Total	400.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the aforesaid ratings assigned to the bank facilities of Rajkamal Builders Infrastructure Private Limited (RBIPL) continues to derive comfort from its experienced promoters with proven project execution capability, reputed clientele indicating low counterparty risk, stable financial performance of Rajkamal Group in FY21 with comfortable capital structure and healthy debt protection metrics. Further, the ratings also consider RBIPL's strong order book reflecting satisfactory near to medium-term revenue visibility and strong demand potential of wastewater management segment. However, these rating strengths continues to remain partially offset by its exposure to geographical concentration risk, susceptibility of operating margin to volatile input prices and working capital intensive nature of its operations. The ratings were placed under credit watch due to possible impact of third wave of Covid-19 pandemic across the country on the operations of the company. Infomerics will continue to monitor the company's quarterly performance and will take a view on the ratings once the exact implications on the credit risk profile of the company are clear.



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Key Rating Sensitivities:

Upward Factors

- 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

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 ~95% of total operating income in FY21, indicating a concentrated customer profile. Though customers being government departments imparts comfort with low counterparty risk.



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

As on November 31, 2021, RBIPL has an unexecuted order book of about Rs.1195.35 crore (including Operation and Maintenance work of Rs.217.39 crore), i.e.3.15 times of its FY21 combined total operating income (i.e.Rs.379.67 crore). 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 years.

Stable financial performance

The total operating income (TOI) of the group, though moderated by ~7% in FY21 to Rs.379.67 crore from Rs.410.11 crore in FY20, remains stable. The marginal decline in TOI is due to lockdown restrictions in first two months of FY21. The EBITDA margin of the group remained satisfactory over the years and has improved marginally from 10.37% in FY20 to 11.44% in FY21 driven by better management of its operating expenses coupled with execution of high margin orders mainly. Furthermore, the PAT margin of the group dampened from 5.71% in FY20 to 5.52% in FY21 mainly on account of increase in interest expenses. Total operating income improved from Rs.145.88 crores in H1FY21 to Rs.162.96 crore in H1FY22 due to higher execution of orders during period.

On a standalone level, total operating income declined by ~6% y-o-y in FY21 to Rs.361.71 crore from Rs. 385.03 crore in FY20. This is due to lockdown in FY21 for first two months of the year. Despite decline in TOI, EBITDA margin has improved from 7.43% in FY20 to 8.78% in FY21 with better management of operating expenses and execution of few higher margin orders. Consequently, PBT and PAT margin also improved from 6.22% and 4.47% in FY20 to 6.75% and 5.04% respectively in FY21.

Comfortable capital structure with healthy debt protection metrics of the group

The capital structure of the group remained comfortable with overall gearing of 0.77x as on March 31, 2021 (0.48x as on March 31, 2020). The same deteriorated marginally due to higher introduction of USL from promoters and relatives, which is not subordinated to bank facilities. Debt protection parameters, though deteriorated remained comfortable with interest coverage ratio of 2.88x in FY21 as compared to 5.57x in FY20. The same declined due to increase in interest expenses. Total debt to GCA deteriorated from 3.56x in FY20 to 6.14x in FY21 due to higher debt.

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



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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 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

The group has working-capital-intensive operations, marked by its elongated operating cycle. Infomerics believes that group'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 entities is given in Annexure 3).

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 its sufficient expected gross cash accruals vis-à-vis its insignificant debt repayment obligations during FY22-24. Further, on the back of its comfortable capital structure, the



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group and RBIPL on a standalone basis has adequate gearing headroom. The average CC utilisation for the past twelve months ended September, 2021 also remained comfortable at ~84% indicating a sufficient cushion.

About the Company

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 promoters 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 RBIPL become specialized in installation and maintenance of Sewage Treatment plants.

Financials (Consolidated):

For the year ended / As on*	(Rs. crore)	
	31-3-2020	31-3-2021
	Combined	Combined [^]
Total Operating Income	410.11	379.67
EBITDA	42.53	43.42
PAT	23.67	21.26
Total Debt	93.54	143.51
Tangible Net worth	194.31	187.05
EBITDA Margin (%)	10.37	11.44
PAT Margin (%)	5.71	5.52
Overall gearing	0.48	0.77

*Classification as per Infomerics Standards [^] RBIPL's results is Audited and RB's result is Provisional

Financials (Standalone):

For the year ended / As on*	(Rs. crore)	
	31-3-2020	31-3-2021
	Audited	Audited
Total Operating Income	385.03	361.71
EBITDA	28.62	31.77
PAT	17.42	18.51



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Total Debt	55.71	88.58
Tangible Net worth	156.41	174.80
EBITDA Margin (%)	7.43	8.78
PAT Margin (%)	4.47	5.04
Overall gearing	0.36	0.51

**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 November 2020.

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 February 23, 2021.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21 (October 12, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	17.00 (Including Proposed limit of Rs.10 crore)	IVR A- Under Credit watch with developing implications	IVR A-/ Stable Outlook	-	-
2.	Bank Guarantee	Short Term	383.00 (Including Proposed limit of Rs.40 crore)	IVR A2+ Under Credit watch with developing implications	IVR A2+	-	-

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About Infomerics:

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 (Including Proposed limit of Rs.10 crore)	IVR A- Under Credit watch with developing implications
Short Term Bank Facilities – Bank Guarantee	-	-	-	383.00 (Including Proposed limit of Rs.40 crore)	IVR A2+ Under Credit watch with developing implications

Annexure 2: Facility wise lender details:



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<https://www.infomerics.com/admin/prfiles/Rajkamal-builders-lenders-jan22.pdf>

Annexure 3: List of companies considered for consolidated analysis

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

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.