Rajendra Singh Bhamboo Infra Private Limited (Revised)

April 05, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	50.10 (Enhanced from 42.00)	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Reaffirmed**
Long Term / Short Term Bank Facilities	261.47 (Enhanced from 258.00)	**CARE BBB; Stable / CARE A3+ (Triple B; Outlook: Stable / A Three Plus)**	**Reaffirmed**
Total Facilities	**311.57 (Rs. Three Hundred Eleven Crore and Fifty-Seven Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Rajendra Singh Bhamboo Infra Pvt. Ltd. (RIPL) continue to draw strength from vast experience of its promoters and management in the construction industry, long standing association with clients, its healthy albeit concentrated order book resulting in strong medium term revenue visibility along with presence of price variation clause in all of its contracts. The ratings, further, derive comfort from its healthy profitability margins, moderate capital structure and debt coverage indicators and adequate liquidity.

The ratings are, however, constrained on account of its moderate scale of its operations with moderate gross revenue reported during 11MFY21 on account of disruption in operations caused by outbreak of covid-19 pandemic. The ratings further remain constrained on account of its presence in a highly fragmented construction sector with tender based nature of operations.

CARE also takes cognizance of the company availing the moratorium from its different lenders as a COVID relief measure (as permitted by the Reserve Bank of India) for the period from March to August, 2020.

Rating Sensitivities

Positive factors *- Factors that could lead to positive rating action/upgrade:*

- Sizeable increase in scale of operations along with good revenue visibility
- Improvement in PBILDT margin to above 13% on sustained basis
- Improvement in overall gearing to below 0.70x on sustained basis

Negative factors *- Factors that could lead to negative rating action/downgrade:*

- Decline in its total operating income (TOI) by more than 30% from envisaged levels
- PBILDT margin falling below 9% on sustained basis
- Deterioration in its overall gearing beyond 2.00 times on sustained basis
- Any delay in execution of orders leading to imposition of penalties and invocation of performance bank guarantee

Detailed description of the key rating drivers

Key Rating Strengths

Vast experience of promoters and management in construction industry and long-standing association with clients:

RIPL is promoted by Mr Rajendra Singh Bhamboo and Mr Rajendra Kumar Dangi who have more than two decades of experience in the construction sector. They are assisted by other directors namely Mr Manish Dangi (son of Mr. Rajendra Kumar Dangi) and Mr. Sachin Bhamboo (son of Mr. Rajendra Singh Bhamboo) who help in looking after overall management of the company. Moreover, the directors are supported by a team of managerial personnel and technical team having relevant experience in their respective fields.

RIPL has long-standing relationship with various other government authorities like the Public Works Department (PWD), Jaipur Development Authority (JDA), Rajasthan State Road Development and Construction Corporation (RSRDC) and Water Resources Department (WRD). The company has been benefiting from the experience and relationship developed by its promoters as evinced by its position in the highly competitive industry.

Healthy albeit concentrated order book:

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

As on January 01, 2021, the company has healthy order book of Rs.740.46 crore as compared to Rs.855.28 crore as on September 30, 2019, forming around 1.56 times of gross receipt of RIPL for FY20 thereby indicating strong medium term revenue visibility. Further, the company has recently been awarded two new orders amounting to Rs.986.38 crore in the month of March, 2021 pertaining to road construction. However, securing all regulatory approvals and completion of work in a timely manner will be crucial as un-envisaged delays and hurdles impact the scale of operations and growth prospect of the players.

RIPL's dependence on single party was moderately lower with its customer base being a mix of government entities, including urban local bodies which also translate into low counter-party credit risk for the company. Furthermore, the company has also mitigated the geographical concentration risk by diversifying its presence to other states from previously being largely a Rajasthan-based player as currently projects are spread across Gujarat, Madhya Pradesh, Tripura and Maharashtra which reduces the risk arising from any policy or geo-political changes in a particular region as well as exposure to risks related to delay in clearances. In addition, all orders of RPIL have in-built price escalation clause, which mitigates the risk arising out of adverse movement in raw material prices and labour charges to a large extent. However, around 95% of its outstanding order book is pertaining to road construction segment thereby reflecting high segment concentration. Further, the top 5 orders comprise around 80% of its outstanding order book as on January 01, 2021 reflecting concentrated order book.

Healthy profitability margins:

During FY20, PBILDT margin of the company increased marginally by around 6 bps to 11.45% mainly on account of lower remuneration to directors. With increase in operating profit margin, PAT margin also increased by around 26 bps to 4.56% in FY20, although proportionately higher than increase in PBILDT margin owing to creation of provision for deferred tax asset related to previous years. Overall, its GCA level increased by around 14% to Rs.30.73 crore in FY20 as against Rs.26.95 crore in FY19.

Additionally, during 9MFY21, the company has reported PBILDT margin and PAT margin of 12.45% & 4.61% respectively with GCA of Rs.16.56 crore as against PBILDT margin and PAT margin of 9.44% & 4.09% respectively with GCA of Rs.16.19 crore during H1FY20.

Moderate capital structure and debt coverage indicators:

Its capital structure stood moderate with an overall gearing of 1.10 times as on March 31, 2020, though improved from 1.58 times as on March 31, 2019 attributed to increase in net worth base backed by accretion of profit to reserve along with scheduled repayment of its term loan. However, its overall gearing moderated marginally and stood at 1.17 times as on December 31, 2020.

RIPL's debt coverage indicators have also exhibited improvement with total debt to GCA of 2.44 times as on March 31, 2020 as against 2.83 times as on March 31, 2019 due to increase in its GCA level as well as lower total debt. Further, its PBILDT interest coverage improved marginally to 4.33 times in FY20 as against 4.26 times in FY19 due to higher proportionate increase in operating profit vis-à-vis its interest expenses.

However, its total debt to GCA moderated to 4.11 times (annualized) as on December 31, 2020 and PBILDT interest coverage stood at 3.39 times in 9MFY21.

Liquidity -Adequate:

The company's liquidity is adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations and free cash and bank balance of Rs.10.94 crore as on December 31, 2020. The liquidity ratios of the company stood moderate with current ratio and quick ratio of 1.21 times and 0.62 times respectively as on March 31, 2020. Further, the average utilization of its fund-based working capital limit stood moderate at around 52% during trailing 12 month period ended December, 2020 (74% during trailing 12 month period ended November, 2019) and the average of maximum utilization of its non-fund based limits stood around 66% during last 12 months ended December 31, 2020. Moreover, its working capital cycle stood at 20 days in FY20 (7 days in FY19). Additionally, its cash flow from operating activities decreased and stood at Rs.10.49 crore in FY20 (FY19: Rs.25.27 crore) due to increase in working capital gap.

Key Rating Weaknesses

Moderate scale of operations:

During FY20, TOI of the company grew by around 10% to Rs.433.24 crore on the back of healthy order book along with satisfactory execution of orders though the same was lower as compared to its envisaged level for FY20 due to inability of the company to raise invoice during the month of March, 2020 to the respective department owing to lockdown as well as the same can also be attributed to lower than envisaged execution of orders in hand. The construction work was halted at its sites for the period of 45 days from March 24, 2020 following announcement of lockdown by Govt. to contain the spread of Covid-19 pandemic.

Further, the temporary stoppage of the work in progress has impacted the business and financial risk profile of the company to some extent in the current year which is evinced by lower TOI of Rs.206.93 crore reported by the company during 9MFY21 as against Rs.263.74 crore reported during H1FY20. However, the company has reported gross revenue of Rs. 346.28 crore during 11MFY21. Further, considering the fact that the company has resumed work at all its sites along with the fact that the execution remains normally higher in the month of March; the company expects to achieve its envisaged projections for FY21.

Impact of COVID-19:

The Covid-19 pandemic had impacted the operations of the company as construction works were halted at its sites for the period of 45 days from March 24, 2020. With the relaxation in lockdown, the execution work resumed gradually on its construction sites after taking requisite approvals from respective authorities. On account of the same, the pace of work execution was affected during 9MFY21 owing to mass migration of labour and supply chain disruptions, however, there has been gradual recovery in pace of execution and as articulated by the management currently the company is not facing issues with respect to labor shortage, raw-material procurement/logistics services.

Further, as articulated by the management, under the Atmanirbhar Bharat financial package/relief announced by Central Govt. in the case of projects assigned by Central Govt as well as state government agencies, the company has received extension of project execution time by 3 months to 6 months depending on site conditions, release of 2% BG pertaining to various orders awarded along with retention money being not deducted in project awarded by NHAI. Moreover, as confirmed by its bankers for the facilities rated, the company has not availed moratorium on the facilities sanctioned by them as per RBI circular. However, the company has equipment/vehicle loans from various banks/lenders on which they have availed moratorium and the same was approved by the respective lenders.

Presence in a fragmented nature of construction sector with tender based nature of operations:

The construction sector in India is highly fragmented with a large number of small and mid-sized players wherein RIPL has a moderate scale of operations. This coupled with tendering process in order procurement results into intense competition within the industry, fluctuating revenues and restrictions in profitability. Additionally, continued increase in execution challenges including delays in land acquisition, regulatory clearances, aggressive bidding, interest rate risk and delays in project due to environmental clearance are other external factors that affect the credit profile of industry players.

Industry outlook

The sector has faced challenges owing to suspension of construction activities due to spread of COVID-19 pandemic along with reverse migration of labour. Though, the situation has gradually improved and the execution pace has now picked up. Also, various measures have been taken by the government under the Atma Nirbhar scheme, which shall ease up the working capital requirement of the players. Further, announcement of higher spending on infrastructure in the Union Budget (2021-22) is expected to drive growth opportunities for construction companies.

However, execution challenges like increasing cost, land acquisition, delay in receipt of regulatory clearances, high risk aversion of public sector banks to infrastructure projects and limited budgetary support beleaguer the industry.

Analytical approach: Standalone

Applicable criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology – Construction
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the Company

Rajendra Singh Bhamboo Infra Pvt. Ltd. (RIPL) was incorporated in September, 2010 with an objective to undertake construction projects and is promoted by Mr. Rajendra Singh Bhamboo and Mr. Rajendra Singh Dhangi. The promoters also manage partnership firm M/s Rajendra Singh Bhamboo (RSB) which has been involved in execution of different construction projects since 2003. RIPL is involved in execution of projects involving construction of bridges, roads, pavements, buildings, etc. for its customers spanning across different sectors including Railways, Public Works Department (PWD) and Power. The company operates through one branch in Jaipur (Rajasthan). The company is also classified as 'AA' class contractor with PWD-Govt. of Rajasthan, Jaipur Development Authority and Rajasthan Urban Infrastructure Development Project (RUIDP).

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	392.12	433.24
PBILDT	44.67	49.63
PAT	16.87	19.76
Overall gearing (times)	1.58	1.10
Interest coverage (times)	4.26	4.33

A: Audited

As per provisional results for 9MFY21, the company has reported TOI of Rs.206.93 crore with PAT of Rs.9.53 crore.

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument/facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	50.10	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	261.47	CARE BBB; Stable / CARE A3+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	50.10	CARE BBB; Stable	-	1)CARE BBB; Stable (14-Feb-20)	1)CARE BBB-; Positive (13-Dec-18)	1)CARE BBB-; Stable (12-Dec-17)
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	261.47	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (14-Feb-20)	1)CARE BBB-; Positive / CARE A3 (13-Dec-18)	1)CARE BBB-; Stable / CARE A3 (12-Dec-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT/ ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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