Rambaran Singh Apex Private Limited

April 12, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	3.50	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; (Double B Minus; Outlook: Stable)
Short Term Bank Facilities	8.50	CARE A4+ (A Four Plus)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE A4; (A Four)
Total Bank Facilities	**12.00 (Rs. Twelve Crore Only)**		

**Details of instruments/facilities in Annexure-1*

In the absence of minimum information required for the purpose of rating, CARE was unable to express an opinion on the ratings of Rambaran Singh Apex Private Limited and in line with the extant SEBI guidelines, CARE revised the ratings of bank facilities of the company to 'CARE BB-; Stable; ISSUER NOT COOPERATING and CARE A4; ISSUER NOT COOPERATING. However, the company has now submitted the requisite information to CARE. CARE has carried out a full review of the ratings and the ratings stand at **'CARE BB+; Stable and CARE A4+'**.

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of **Rambaran Singh Apex Private Limited (RSAPL)** continue to remain constrained by its small scale of operations with moderate profitability margins, volatility in prices of input materials, working capital intensive nature of operation and intensely competitive industry. However, the ratings continue to drive strength from extensive experience of the promoters with long track record of operations, comfortable capital structure with satisfactory debt coverage indicators and healthy order book position and reputed clientele.

Key Rating Sensitivities

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

- Sizeable improvement in scale of operations (turnover above Rs.150.00 crore) by timely execution of projects in hand and fetch new orders and improvement in operating margin reaching beyond 10% on a sustained basis.
- Improvement in gross current assets days below 90 days and its reduced reliance on external borrowing for funding its large working capital requirement on a sustained basis.

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

- Any sizeable de-growth in scale of operation (turnover below Rs.50.00 crore), significant delay in project execution and non-receipt of new adequate number of orders on a sustained basis.
- Deterioration in gross current assets days below 180 days and its increased reliance on external borrowing for funding its large working capital requirement on a sustained basis.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations with moderate profitability margins: The total operating income has witnessed year on year growth during last three years (FY18-FY20) on account of higher receipt of orders and timely execution of the same. However, the overall scale of operations of the company remained small marked by its total operating income of Rs.74.95 crore (FY19: Rs.64.92 crore) with a PAT of Rs.3.76 crore (FY19: Rs.3.22 crore) during FY20. Further, the company has achieved a turnover of Rs.64.24 crore with PAT of Rs.3.17 crore during 10MFY20. The small size restricts the financial flexibility of the company in times of stress and deprives it from benefits of economies of scale. Furthermore, the profitability margins remained moderate marked by operating margin of 9.41% (FY19: 9.00%) and PAT margin of 5.02% (FY19: 4.97%) during FY20. Marginally improvement in operating margin due to better management of cost of operation during FY20. Moreover, the PAT margin has also improved in line with operating margin during FY20. Further, the profitability margins continued to remain moderate marked by PBILDT margin of 9.86% and PAT margin of 4.93% in 10MFY21.

Volatility in prices of input materials: Since its inception, the company has been engaged in civil and mechanical engineering services like installation of energy pipelines, railway works, water ways and water reservoirs etc. and prices of the input materials is highly volatile. Since all the contracts executed by the company does not contain price escalation clause to safe guard against volatile input material price; therefore, it remains exposed to volatility in input prices. This apart, it does not enter into any agreement with contractees to safeguard its margins against any increase in labour prices and being present in a highly labour-intensive industry, it remains susceptible to the same.

Working capital intensive nature of operations: The construction segment has high working capital intensity primarily due to funding requirement towards the security deposits, retention amount and margin money for the non-fund-based facilities and debtors. The company mainly executes orders of public sector units like IOCL, GAIL, Oil India Limited, Indian railway etc. and the state government of Bihar and accordingly it requires to extend higher credit to its clients apart from security deposits and retention money and accordingly the average collection period remained on the higher side during last three years which has resulted into high gross current assets days for past few years. Moreover, the average fund-based limits utilization was 85% during past 12 months ended March 31, 2021. However, the requirement of non-fund-based limits remains high on account of requirement of performance and financial bank guarantee for project bidding and retention money.

Intensely competitive industry: RSAPL faces stiff competition from the organized as well as unorganized players in the industry. This apart, the company faces tough competition from various regional and local players with unorganized industry being highly fragmented. Highly competitive pressure limits the pricing flexibility of the industry participants which induces pressure on profitability.

Key Rating Strengths

Extensive experience of the promoters and long track record of operation: RSAPL is into civil and mechanical engineering services business since 1983 and thus has more than 37 years of long track record of operations. The key promoter; Mr. Ram Baran Singh has around five decades of experience in the same line of the business; looks after the overall operation of the company. He is support by the other promoter Mr. Prashant Kumar, Mr Basant Kumar and Mr. Anant Kumar who are also having more than a decade of experience in civil construction industry.

Comfortable capital structure with satisfactory debt coverage indicators: The capital structure of the company remained comfortable marked by overall gearing ratio of 0.52x (FY19:0.42x) as on March 31, 2020. Further, the overall gearing ratio has improved and stood comfortable at 0.43x as on January 31, 2021. Furthermore, the debt coverage indicators of the company also remained satisfactory marked by interest coverage ratio of 8.44x (9.79x in FY19) and total debt to GCA of 1.59x (1.09x in FY19) in FY20. Deterioration in interest coverage was mainly due to increase in interest expenses during FY20. Moreover, the interest coverage ratio has further deteriorated during 10MFY21 to 6.88x due to increase in interest expenses.

Healthy order book position and reputed clientele: The company has an unexecuted order book position of Rs.140.55 crore (1.88x of TOI of FY20) as on March 31, 2021 which is to be executed by March 2022. The revenue visibility seems to be good in near to medium term as revealed from its healthy order book position. The company has a work order from the reputed clients like Indian Oil Corporation Limited (IOCL), Oil India Limited (OIL) and Gas Authority of India Limited (GAIL).

Impact of COVID 19

There was restriction on the operation since the lockdown was imposed on 25th March, 2020 and accordingly the company was not able to operate. However, the company has resumed its operation from May 02, 2020 and it has booked a turnover of Rs.80.00 crore during FY21. The operation of the company was not much impacted due to COVID pandemic as reflected by its performance during FY21.

Liquidity: Adequate - Liquidity is marked by sufficient cushion in accruals vis-a-vis modest bank limit utilisation and low cash balance. The average utilization of bank limits was around 85% during last 12 month ended on March 31, 2021. The unencumbered cash and cash equivalent stood at Rs.0.54 crore as on January 31, 2021. During 10MFY21, the company has reported a gross cash accrual of Rs.4.00 crore. Moreover, the company has availed the moratorium on interest on working capital from March to August 2020 from UCO bank only under the terms of recent RBI circular. Moreover, the company has availed COVID relief loan of Rs0.70 crore from ICICI bank only.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning ‘outlook’ and ‘credit watch’]
[Liquidity Analysis of Non-Financial Sector Entities]
[Rating Methodology – Construction Sector]
[Criteria for Short Term Instruments]
[Financial ratios – Non-Financial Sector]
[CARE’s Policy on Default Recognition]

About the Company

Rambaran Singh Apex Private Limited (RSAPL) was initially established as a partnership firm in the name of ‘Rambaran Singh’ in the year 1983 by Mr. Ram Baran Singh and his son Mr. Prashant Kumar. Later in October 2017, it was converted into private limited company and the name of the company changed to the current one. Currently, the company is being managed by Mr. Ram Baran Singh, Mr. Prashant Kumar, Mr. Basant Kumar and Mr. Anant Kumar. Since its inception, the company has been engaged in civil and mechanical engineering services like installation of power pipelines, railway works, construction of roads, building, water ways and water reservoirs etc. RSAPL is classified as ‘Class A’ contractor by the Bihar Government which enables it to participate in higher value contracts. RSAPL secures work contracts through tender and executes order mainly for public sector units like Indian Oil Corporation Ltd (IOCL), Gas Authority of India Limited (GAIL), Oil India Limited, Indian Railway etc. and also various departments of Bihar State Government. The company has an order book position of Rs.140.55 crore (1.88x of total sales for FY20) as on March 31, 2021 which is to be completed by March 2022.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)	10MFY21 (Prov.)
Total operating income	64.92	74.95	64.24
PBILDT	5.84	7.06	6.25
PAT	3.22	3.76	3.17
Overall gearing (times)	0.42	0.52	0.43
Interest coverage (times)	9.79	8.44	6.88

A: Audited; Prov: Provisional

Status of non-cooperation with previous CRA: CRISIL Ratings has placed its rating under non-cooperation as per press release date October 19, 2020 due to non-submission of information by the client.

Any other information: Not Applicable

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

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	-	-	-	3.50	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	8.50	CARE A4+

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	3.50	CARE BB+; Stable	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (15-Jan-21)	1)CARE BB+; Stable (23-Mar-20)	-
2.	Non-fund-based - ST-Bank Guarantees	ST	8.50	CARE A4+	-	1)CARE A4; ISSUER NOT COOPERATING* (15-Jan-21)	1)CARE A4+ (23-Mar-20)	-

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 - ST-Bank Guarantees	Simple

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

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About CARE Ratings:
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