

R B S Candiaparcar

September 14, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	17.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	16.00	CARE A4+ (A Four Plus)	Reaffirmed
Total Facilities	33.00 (Rs. Thirty-Three Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings to the bank facilities of R B S Candiaparcar (RBS) continue to remain tempered on account of small scale of operations with moderation in Total Operating income in FY21; albeit improved PBILDT margins and modest networth base. The rating takes into account moderate order book position; albeit improved as on August 31, 2021, significant concentration in order book and stretched liquidity position. The ratings also remain tempered due to geographical concentration with operations confined to Goa region and partnership nature of its constitution.

Nevertheless, the rating derives comfort from experience of the promoters and established track record of the firm in construction industry and longstanding association with customers translating in to repeat orders. The rating further continues to derive strength from moderate profitability margins, moderate solvency position.

Key Rating Sensitivities

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

- Improvement in scale of operations with a total operating income(TOI) above Rs.150 crore and maintaining healthy profitability margins on sustained basis.
- Improvement in order book beyond Rs.200 crore on sustained basis along with reduction in order concentration with order from single largest customer below 20%.
- Improvement in gross current asset days to less than 150 days.

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

- Deterioration in overall gearing including non-fund based limits beyond 2x on sustained basis.
- Deterioration of liquidity position owing to delay in execution of projects in hand or slower realization of debtors.
- Significant negative impact of COVID-19 outbreak on financial performance of the firm.

Detailed description of the key rating drivers:

Key Rating Weaknesses

Small scale of operations and low networth base: The Total Operating Income(TOI) of the firm declined by 35.25% mainly due to due to tepid execution of orders during Q1FY21(referring to a period from April 1, 2021 to June 30, 2021) on account of the Covid-19 pandemic related lockdowns. However, the execution gained momentum from July 2020 onwards and the firm has booked a TOI Rs.44.26 crore in FY21(Prov.) as against Rs.68.35 crore for FY20. Further, during 5MFY22(referring to a period from April 1, 2021 to August 31, 2021) the firm has booked a TOI of Rs.22 crore as against Rs.30 crore during 8MFY21(referring to a period from April 1, 2020 to November 30, 2020) indicating improvement in execution of orders. Moreover, net worth base of the company is modest at Rs.21.13 crore as on March 31, 2021 coupled with small scale of operations which restricts the financial viability required to bid and secure larger value projects. *Going ahead ability of the firm to improve scale of operations to Pre-Covid levels along with sustenance of the profitability margins is a key rating monitorable.*

Moderate orderbook position providing medium term revenue visibility: RBS has order book consisting of seven orders pegging orderbook to sales ratio of 1.96x times TOI of FY21 as on August 31, 2021 (as against orderbook to sales ratio of 1.09 times TOI of FY20 as on December 23, 2020). Thus, providing medium term revenue visibility for RBS for FY22 and partially for FY23. However, the outstanding orderbook is highly concentrated with single order amounting to around 38% of the outstanding orderbook position from Goa Tourism Development Corporation for construction of State Institute of Hotel Management & Catering Technology. Despite significant concentration of the orders from a single customer, the comfort can be derived from the high credit quality of the client(An undertaking of Goa Government) repeat nature of order.

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

Furthermore, the firm also has orders in pipeline classified under L1 amounting to Rs.20.48 crore which is likely to enhance revenue visibility along with moderation in order concentration. *Going ahead conversion of orders in pipeline and addition of fresh orders to reduce order concentration is a key rating monitorable.*

Geographical concentration risk with operations confined to Goa region: RBS is a local contractor, with operations confined to the Goa region. All the projects completed in the last 5 years have been from Goa region. Also, the complete order book of RBS pertains to projects in Goa. As the firm undertakes contracts primarily in Goa, it is exposed to the operating challenges associated with execution of projects outside the region. RBS has restricted its presence to contractions of building and RCC within the infrastructure basket. Even within this segment its expertise lies in the construction of small to medium sized projects.

Partnership nature of its constitution: RBS being a partnership firm is closely held and is subject to limited disclosure norms. Further, owing to the constitution of the entity, it is exposed to the risk of withdrawal of capital as well as long-term existence of business operations under the entity.

Key rating Strengths

Long and established operational track record in construction business along with experienced promoters: R.B.S. Candiaparc (RBS) was established in the year 1964 as a partnership firm by Mr. Raghuvir Khandeparkar and Mr. Achuyut Khandeparkar. Currently, the firm is managed by 2nd generation family members namely Mr. Arvind P. S. Khandeparkar, Mr. Paresh Khandeparkar and Mr. Yogesh A Khandeparkar. The promoters have an average industry experience of over two decades translating into long standing relationships with the customers and suppliers. Moreover, the firm is in the business for over one decade which has resulted in establishing good relationship with its subcontractors and material suppliers which is likely to aid in smooth operations of SIPL

Longstanding association with customers leading to repeat orders: Over the years, RBS has established itself in the construction segment in Goa. The firm has been execution building construction projects for the Goa Government and also has been able to execute projects for major private sector players in the state of Goa. Also, the firm receives repeat orders from customers on account of its long standing and established presence.

Improved profitability margins during FY21 despite decline in TOI: Despite the decline in TOI for FY21, the PBILDT margin of the firm has improved by 325 Bps to 13.44% for FY21 as against 10.19% for FY20 mainly on account of the change in order mix. Further, the PAT margins also improved by 269 Bps to 5.94% for FY21(Prov.) as against 3.25% for FY20(A). Going ahead sustenance of the profitability margins will be a key rating monitorable. It is to be noted that majority of the orders does not contain price escalation clause which may impact profitability margins on account of fluctuation of raw material prices. Hence, ability of the firm to improve scale with maintaining healthy margins remain a key monitorable.

Moderate capital structure and debt coverage indicators: The capital structure of the firm marked by overall gearing ratio has moderated and stood at 1.43x as on March 31, 2021 as against 1.34x as on March 31, 2020 mainly on account of Guaranteed Emergency Credit Loan availed by the firm to support operations during pandemic. With improvement in cash accruals and lower interest expenses, the debt coverage indicators of the firm improved and remained moderate as indicated by PBILDT coverage ratio and Total debt to GCA at 4.78x and 7.9x respectively as at the end of FY21(as against 3.46x and 8.15x respectively as at the end of FY20).

Liquidity: Stretched

Liquidity position of the firm is stretched as indicated by stretched gross current asset of 332 days as at the end of FY21 as against 203 days as at the end of FY20 along with high utilization of working capital limits to the extent of 90% over the last 12 months ended August 31, 2021. The firm generally receives the bills within 30 to 40 days from the customers. However, the average collection period days is higher partially due to funds blocked in retention money/security deposits kept with customers, which are deducted from the running bills for majority of the contracts. The firm is projected to report a GCA of Rs.5.20 crore for FY22, which will be sufficient to service its principal and interest obligations of Rs.2.60 crore during the year. Moreover, the firm also has healthy unencumbered cash and bank balance, Fixed Deposits of approximately Rs.7 crore as on March 31, 2021 which is likely to aid in working capital requirements of the firm. The firm had availed moratorium for the period of 6 months from March to August 2020 for interest payments of cash credit account as per Covid-19 Regulatory Package announced by RBI for which the Funded interest term loan(FITL; referring to deferred interest payments) has been repaid in time.

Analytical Approach: Standalone

Applicable criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology – Construction sector](#)

About the Company

RBS was established in the year 1964 as a partnership firm and is engaged in construction of the Reinforced Cement Concrete (RCC) frame for institutional buildings, industrial structures, residential buildings and commercial buildings. The firm is registered as "Class 1 A" contractor with the Public Works Department (PWD), Panaji Goa.

Brief Financials (Rs. crore)	FY20 (Audited)		FY21 (Provisional)	
	12M		12M	
Total operating income		68.35		44.26
PBILDT		6.96		5.95
PAT		2.22		2.63
Overall gearing (times)		1.34		1.43
Interest coverage (times)		3.46		4.78

The firm has achieved a TOI of Rs.22 crore during 5MFY22(referring to a period from April 1, 2021 to August 31, 2021)

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument/facility: 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	-	-	-	17.00	CARE BB+; Stable
Non-fund-based - ST-BG/LC	-	-	-	16.00	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	17.00	CARE BB+; Stable	-	1)CARE BB+; Stable (08-Jan-21)	1)CARE BB+; Stable (31-Jan-20)	1)CARE BB+; Stable (07-Mar-19) 2)CARE BB+; Stable (11-Jul-18)
2.	Non-fund-based - ST-BG/LC	ST	16.00	CARE A4+	-	1)CARE A4+ (08-Jan-21)	1)CARE A4+ (31-Jan-20)	1)CARE A4+ (07-Mar-19) 2)CARE A4+ (11-Jul-18)

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

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

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

Annexure 5: Bank Lender Details

[Click here to view Bank Lender Details](#)

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.

Contact us**Media Contact**

Name: Mr. Mradul Mishra
 Contact no.: +91-22-6837 4424
 Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Mr. Manohar Annappanavar
 Contact no.: 022 - 6754 3436
 Email ID: manohar.annappanavar@careratings.com

Business Development Contact

Name: Mr Aakash Jain
 Contact no. : 020 - 40009090
 Email ID: aakash.jain@careratings.com

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.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.