

Raj Corporation Limited

April 11, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B; Outlook: Stable / A Four ISSUER NOT COOPERATING*) and Withdrawn
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and Key Rating Drivers

CARE has reaffirmed and simultaneously withdrawn the outstanding rating of CARE BB; Stable; ISSUER NOT COOPERATING / CARE A4; ISSUER NOT COOPERATING* [Double B; Outlook: Stable; ISSUER NOT COOPERATING / A Four; ISSUER NOT COOPERATING*] assigned to the bank facilities of Raj Corporation Limited (RCL) with immediate effect.

Ratings assigned to the bank facilities of RCL are constrained on account of its presence in an intensely competitive construction sector and Execution risk and equity commitment related to HAM projects. The ratings are however, strengthened on account of the promoter's experience with an established track record of operations, improvement in scale of operations and profitability as well as its comfortable financial risk profile.

The rating withdrawal is at the request of RCL, declaration for non-availment of proposed facilities as well as 'No Objection Certificate' and 'No dues certificate' received from the banks that have extended the facilities rated by CARE.

Applicable Approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers

At the time of last rating on March 07, 2022 the following was the rating weakness and rating strengths (updated based on FY22 financials shared by the company).

Key Weaknesses

Intense competition in the construction sector

The construction sector in India is highly fragmented with a large number of small and mid-sized players. This coupled with tendering process in order procurement results into intense competition within the industry. Additionally, continued increase in execution challenges including delays in land acquisition, regulatory clearances and elongated working capital cycle due to longer gestation period of the projects collectively put pressure on the credit profile of the players.

Execution risk and equity commitment related to HAM projects

The RCL has one HAM project of MPRDC which is being executed in SPV viz. RCL Porsa Highways Pvt Ltd. The fund requirement is majorly offset by construction support provided by MPRDC during construction to the tune of 60% of the project cost. The balance funds were to be infused in form of debt of Rs.10 crore and equity infusion from RCL to the tune of Rs.41.28 crore. Out of the total equity requirement, RCL had already infused funds to the tune of Rs.26 crore during FY21, thereby, mitigating risk of fund infusion to large extent. As communicated by the management, the work amounting to more than 20% had been completed and proportionate construction support from MPRDC has also been received.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Besides, there would be equity commitment for two HAM projects where the company had been declared as L1 shall be required to be infused from FY23 onwards. The company plans to use its accruals from the EPC business to fund the equity commitments. While the company has adequate liquidity to infuse the funds, any increment in project cost or delay in tie of debt may impact the cash flows of the company. Apart from the equity commitment, the company is also exposed to inherent execution risks. Timely completion of HAM projects is crucial to avoid any penalty and damages.

Key Strengths

Experienced promoter with established track record of operations

Incorporated in 2008, RCL is promoted by Ms. Sarita Yadav, Mr. Manoj Kumar Yadav, Mr. Vikas Yadav and Mr. Priyanshu Yadav. The promoters have an extensive experience of over a decade in the construction sector.

Improvement in scale of operation and profitability

RCL has reported significant increase in scale of operation as its total operating income (TOI) stood at Rs. 487.96 crores in FY22 compared to Rs. 402.18 crores and Rs. 291.67 crores in FY21 and FY20 respectively. Company's scale of operation has been increased by 67% in FY22 compared to FY20.

As a result of increase in scale of operation and stable construction and finance cost company has reported a healthy increase in its profitability. In absolute terms, RCL reported PBILDT and PAT of Rs. 90.42 crores and Rs. 64.00 crores respectively during FY22 as compared to Rs. 43.76 crore and Rs. 28.28 crore during FY21 respectively. Additionally, company also reported cash profit of Rs. 67.05 crores in FY22 (P.Y.: Rs. 33.29 crore). Further, company reported healthy PBILDT margin 18.53% in FY22 and PAT margin 13.11% in FY22 compared to 10.88% and 7.03% respectively in FY21.

Comfortable financial risk profile

Owing to high net worth base and stable overall debt RCL's capital structure remains comfortable marked by overall gearing of 0.24x in FY22 compared to 0.26x in FY21 and 0.14x in FY20 respectively.

Further, a higher pace of increase in operating profitability vis-à-vis increase in finance cost, increased cash profits and stable overall debt had a positive impact on company's debt servicing. Thus, interest coverage improved to 11.39x in FY22 from 6.33 in FY21 and TD/GCA remained comfortable at around 1 year as on March 31, 2022.

Applicable criteria

[Policy on Withdrawal of ratings](#)

[CARE Ratings' criteria on information adequacy risk and issuer non-cooperation](#)

[Policy on Default Recognition](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Rating Methodology - Construction sector](#)

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

About the Company

Incorporated in 2008, RCL is promoted by Ms. Sarita Yadav, Mr. Manoj Kumar Yadav, Mr. Vikas Yadav and Mr. Priyanshu Yadav. The company is based in Uttar Pradesh and is involved in construction of infrastructure projects including road projects and undertaking electrical work projects. It undertakes civil construction activity for State and Central government entities like Dakshinanchal Vidyut Vitran Nigam Limited, Madhyanchal Vidyut Vitran Nigam Limited, National Highway Authority of India, Public Works Department etc. The company is registered as Class 1 contractor with the Government of Uttar Pradesh with bidding eligibility for the tenders up to Rs. 800 cr.

Brief Financials (Rs. crore)	March 31, 2021 (A)	March 31, 2022 (A)
Total operating income	402.18	487.96
PBILDT	43.76	90.42
PAT	28.28	64.00
Overall gearing (times)	0.26	0.24
Interest coverage (times)	6.33	11.39

A-Audited, Note: 'the above results are latest financial results available'.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

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

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

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

Lender details: Please refer Annexure 5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	0.00	Withdrawn

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Bank Overdraft	LT	-	-	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (07-Mar-22)	1)CARE BBB-; Stable (22-Feb-21) 2)CARE BBB-; Stable (05-Feb-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	-	-	-	-	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (07-Mar-22)	1)CARE BBB-; Stable / CARE A3 (22-Feb-21) 2)CARE BBB-; Stable / CARE A3 (05-Feb-21)

*Issuer did not cooperate; based on best available information.

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

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

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