Rohan Builders (India) Private Limited

March 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	31.00	CARE A; Stable	Reaffirmed
Short-term bank facilities	197.00	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings of bank facilities of Rohan Builders (India) Private Limited (RBIPL) continue factoring the strong parentage of the Rohan Group, promoted by Suhas Lunkad and his family, and its long and established track record of more than two decades in the engineering, procurement, and construction (EPC) industry. Ratings also factor the reputed clientele and moderate, although concentrated order book position. Ratings also consider the comfortable capital structure, debt protection metrics, and strong liquidity.

However, ratings are constrained by the growing yet moderate scale of operations, moderate working capital cycle, and presence in a competitive and fragmented construction industry. Ratings are further constrained by high exposure to group entities through investments and corporate guarantees (CGs), which is expected to increase in the medium term. CARE Ratings Limited (CARE Ratings) notes that RBIPL has extended funding support to Rohan Rajdeep Tollways Limited (RRTL) in 11MFY24 (FY refers to April 1 to March 31) due to shortfall in cashflows of RRTL and its special purpose vehicles (SPVs). Higher-than-expected exposure to group concerns will remain a key monitorable going forward.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainably improving scale of operations with turnover of more than ₹1,100 crore and sustaining operating margins of above 10%.
- Strong order inflow imparting continued revenue visibility of above 2x of the total operating income (TOI) (FY23) with quality counterparties and diversification.

Negative factors

- Significantly lower-than-envisaged TOI and declining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin below 6% on a sustained basis.
- Un-envisaged debt, sustainably deteriorating the overall gearing ratio beyond the envisaged level.
- Higher-than-expected support to group entities.
- Significant delay in executing the order book, resulting in blockage of funds and sustainably deteriorating the liquidity position.
- Consistent stretch in gross current asset days beyond 200 days on a sustained basis.

Analytical approach: Standalone, factoring support extended to group companies

CARE Ratings has factored RBIPL's exposure through CGs, investments, and loans and advances given to group companies.

Outlook: Stable

The stable outlook reflects CARE Ratings' expectation of RBIPL maintaining its risk profile in the medium term on the back of its order book, reputed clientele with inflow of new contracts, and comfortable liquidity.

Detailed description of key rating drivers

Key strengths

Experienced promoters of the Rohan group and long operational track record

Promoted by the Lunkad family, RBIPL has a long track record of more than two decades in civil construction works of industrial and commercial buildings and plants. The company is the flagship concern of the Pune-based Rohan group for its construction vertical, having a renowned brand presence in the city. The group also has strong presence in real estate through Rohan Builders

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

& Developers Private Limited (rated 'CARE A-; Stable'). The company is spearheaded by Suhas K Lunkad, Chairman, a civil engineer with more than two decades of experience in the construction industry. He is involved in the company's business planning, policies, and strategies. Rohan S Lunkad, son of Suhas K Lunkad, plays an active role in business development and manages the company's day-to-day operations.

Moderate, although concentrated order book position with reputed clientele

RBIPL has an outstanding order book of ₹966.69 crore as on December 31, 2023, which is 1.53x of the FY23 TOI, providing medium-term revenue visibility. The company has bagged additional orders of about ₹320 crore in January 2024, thus boosting the current order book position and providing revenue visibility. The order book consists of strong counterparties, contracts dispersed across industries and geographies, although the concentration from top five orders is high at 58%. The highest residual order accounts for about 16% of the outstanding order book as on December 31, 2023.

Comfortable capital structure and debt coverage indicators

RBIPL's debt profile mainly comprises cash credit (CC), preference shares, and mobilisation advances aggregating to ₹113.31 crore as against tangible net worth (TNW) of ₹453.99 crore as on March 31, 2023. However, the company has major exposure through non-fund-based limits and investments and guarantees to group companies. The adjusted overall gearing (adjusted for group exposure) was comfortable at 0.71x as on March 31, 2023, improved from 1.06x as on March 21, 2022. CARE Ratings expects the adjusted overall gearing to be below unity in the medium term, with no debt-funded capex. Interest coverage ratio (ICR) and total debt (TD)/gross cash accruals (GCA) stood at 14.91x (PY: 10.40x) and 2.63x (PY:1.71x) in FY23, which CARE Ratings expects to improve in the medium term.

Key weaknesses

Growing, yet moderate scale of operations

The company's TOI (including unbilled revenue) increased to ₹631.52 crore in FY23 from ₹514.58 crore in FY22 on the back of improved order execution. The company reported TOI of ₹426.44 crore in H1FY24 and is expected to report revenue growth of about 50-55% in FY24. CARE Ratings expects the scale to improve going forward, supported by a comfortable order book position, however, be moderate.

The PBILDT margin was at 7.72% in FY23, having marginally improved from 6.49% in FY22. With moderating input prices and better fixed cost absorption, the PBILDT margin improved to 8.19% in H1FY24 and is estimated to be about 9-10% for FY24. Sustaining the PBILDT margin will be a key monitorable.

Moderate working capital cycle

RBIPL's operations are moderately working capital-intensive, as indicated by operating cycle and gross current asset days of 115 days (PY: 89 days) and 226 days (PY: 184 days), respectively, in FY23. This is primarily driven by high receivables (including unbilled revenue and retention money) of 113 days in FY23 (PY: 85 days). The stretch in receivables is mainly due to high billing towards fiscal end. CARE Ratings believes that RBIPL's working capital cycle will continue being moderate with gross current asset days ranging between 185-198 days in the medium term.

Exposure to group companies, expected to increase in medium term

About 70% of RBIPL's net worth as on March 31, 2023, is deployed as investments, followed by CGs in its group entities. Most investments are in infrastructure projects – RRTL and Rohan Rajdeep Toll Roads Limited (RRTRL). In FY23, RRTL has entirely repaid optionally convertible debentures of ₹40 crore extended by RBIPL. RBIPL is expected to extend additional funding support to its group entities, RRTL, and its SPVs executing toll and annuity projects owing to mismatches in cashflows. RBIPL has extended about ₹22 crore to RRTL in 11MFY24. CARE Rating expects incremental support of ₹20-50 crore in next two years to its group companies. CARE Ratings believes that any higher-than-envisaged funding support to group entities may strain overall liquidity and will remain a key monitorable, going forward.

Presence in a competitive and fragmented construction industry

RBIPL operates in a highly fragmented and competitive industry with numerous medium-sized players. The presence of big-sized players with established track record and network also results in intense competition in the industry.

Liquidity: Strong

RBIPL's liquidity remained strong, marked by expected GCA of ₹72-76 crore in the medium term against nil long-term debt repayment obligations and no major capital expenses plan (except regular capex for acquiring equipment and machinery). Working capital requirements are moderate, as indicated by gross current asset days of 226 days as on March 31, 2023, mainly driven by receivables of 113 days in FY23. Working capital requirements are mainly funded through internal accruals and credit from suppliers, thus resulting in modest average utilisation of 14% of working capital limits for last 12 months through December 31,

2023. The free cash and bank balance stood at ₹27.67 crore as on September 30, 2023. The current ratio stood at 2.48x in FY23 (2.50x in FY22).

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction
Infrastructure Sector Ratings
Short Term Instruments

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil construction

RBIPL (CIN U45201PN1994PTC077758) was established as a proprietary concern in 1992 and was subsequently reconstituted as a private limited company in 1994. It is part of the Pune, Maharashtra-based Rohan group catering to business segments including EPC, real estate, and infrastructure and is the flagship company for its construction vertical. The company undertakes construction of building and structures across industries. It has executed more than 150 projects across India. The company is promoted by the Lunkad family and is spearheaded by Suhas K Lunkad, Chairman & Managing Director.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	514.58	631.52	426.44
PBILDT	33.41	48.73	34.92
PAT	32.99	36.21	23.16
Adjusted Overall gearing (times)	0.17	0.25	0.30
Interest coverage (times)	10.40	14.91	19.63

A: Audited; UA: Unaudited. Note: These are latest financial results available.

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instruments/facilities: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit	-	-	-	-	31.00	CARE A; Stable
Non-fund-based - ST-Bank guarantee	-	-	-	-	197.00	CARE A1

Annexure-2: Rating history for 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-Cash credit	LT	31.00	CARE A; Stable	1)CARE A; Stable (07-Apr-23)	-	1)CARE A-; Positive (24-Mar-22) 2)CARE A-; Stable (05-Apr-21)	1)CARE A-; Stable (26-Feb-21) 2)CARE BBB+; Positive (04-Dec-20) 3)CARE BBB+; Stable (25-Aug-20)
2	Non-fund-based - ST-BG/LC	ST	-	-	-	-	1)Withdrawn (24-Mar-22) 2)CARE A2+ (05-Apr-21)	1)CARE A2+ (26-Feb-21) 2)CARE A2+ (04-Dec-20) 3)CARE A2+ (25-Aug-20)
3	Non-fund-based - ST-Bank guarantee	ST	197.00	CARE A1	1)CARE A1	-	1)CARE A2+ (24-Mar-22)	1)CARE A2+

					(07-Apr-23)		2)CARE A2+ (05-Apr-21)	(26-Feb-21) 2)CARE A2+ (04-Dec-20) 3)CARE A2+ (25-Aug-20)

LT: Long term; ST: Short term; LT/ST: Long term/short term.

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of 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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About us:

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