

Ravindranath Constructions Private Limited

October 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.00	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	48.00	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Ravindranath Constructions Private Limited are constrained on account of its longer execution-timeline of projects despite its moderate orderbook position, moderate scale of operations and profitability margins, geographic and customer concentration risks, tender-based nature of business and highly competitive nature of construction industry. The ratings, however, derive strength from moderate working capital cycle, moderate capital structure and coverage indicators and low counter-party risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations to more than Rs. 150 crores on a sustained basis and sustenance of PBILDT margin over 10%.
- Improved execution of orderbook along with improvement in collection efficiency resulting improved cash flow from operations on a sustained basis.

Negative factors

- Any deterioration in orderbook position adversely impacting revenues and profitability resulting in deterioration in the financial risk profile.
- Any significant rise in working capital intensity leading to a deterioration in the liquidity position.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's expectation that Ravindranath Constructions Private Limited will continue to benefit from its strong clientele profile over the medium term.

Detailed description of key rating drivers:

Key weaknesses

Moderate orderbook position ;albeit longer execution-timeline restricts revenue visibility

The company has outstanding orderbook of Rs. 263 crores as on 31st August ,2024 indicating an orderbook to sales ratio of 2.89x FY24 revenue. However as per past track record, the project execution takes 2.5 – 3 years which in turn restricts the revenue visibility of the company .The company receives work order post 2-3 months of receipt of Letter Of Award (LOA) and may be longer in some cases, and the site is handed over to the company after 4-5 months of receipt of work order post which the works start. It is also to be noted that the company has predominantly executed orders for slum development wherein 33% of the payment is made by the State/Central government and the rest 65-70% is collected through beneficiaries. Accordingly with changes in the government in the past in the

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

state of Karnataka , the company continues to face challenges with regards to receivables. In view of its high orderbook to sales coupled with longer execution in the past,the company is likely to achieve Rs. 95 -100 crores of TOI in FY25.

Moderate scale of operations and profitability margins

The scale of operations has remained moderate over the years with TOI of Rs. 91 crores in FY24 as against Rs. 83 crores in FY23. The TOI has largely remained rangebound within Rs. 77 crores -Rs. 113 crores over the past 5 years owing to slower execution of orders.The PBILDT margin has remained moderate in the range of 8%-10% over the period FY20-FY24.Further,it is to be noted that the contracts do not have any price escalation clause, thereby exposing the profitability margins to changes in input prices. Ability of the company to improve its execution speed resulting in improved scale and profitability margins remain monitorable.

Geographic and customer concentration risks

Most projects executed by the company cater to the Karnataka state government entities primarily pertaining to slum redevelopment with them contributing 76% to FY24 revenue . This exposes the company to geographic and customer concentration risks. However, it is to be noted that the company is lately focusing on construction works of schools and colleges.The same is expected to result in reducing customer concentration going forward. The ability of the company to suitably diversify there by positively impacting the cash flow remain critical from credit perspective.

Tender based business and highly competitive nature of construction industry

The firm operates in the intensely competitive construction industry. The Indian construction sector is highly fragmented with the presence of many mid and large-sized players. All the contracts are awarded through tendering process based on financial criteria and price bid. The presence of large number of players results in aggressive bidding which exerts pressure on the margins.

Key strengths

Moderate working capital cycle albeit remain on increasing trend

The operations of the firm are moderately working capital intensive due to tender based nature of operations. Earlier the company used to receive the payments from customers within one month of the date of billing ,but now it has stretched to 3-4 months as major portion of receivables are to be collected from beneficiary by the government and passed on to contractor. Further a part of sales proceeds is also withheld in the form of retention money which gets released after one year of project completion. The receivables have been funded from extended credit period received from various trade creditors including creditors for material purchase and outstanding to subcontractors. From its various suppliers , the company gets credit period ranging from 30-60 days. The firm relies on bank borrowings to meet its working capital needs and receives mobilization advances. The inventory days deteriorated from 21 days in FY22 to 41 days in FY23 to subsequently 66 days in FY24 due to higher WIP inventory resulting from delays in execution of projects. The operating cycle deteriorated slightly from 47 days in FY23 to 55 days in FY24, though remained moderate.

Moderate capital structure and coverage indicators; albeit networth base remain modest

The capital structure of the firm stood moderate marked by overall gearing of 1.38x and TOL/TNW of 2.34x as on 31st March ,2024 as against 1.37x and 2.14x as on 31st March,2023.Further the coverage indicators stood comfortable marked by interest coverage ratio of 3.99x in FY24 (FY23:4.01x) and TD/GCA of 5.47x in FY24 (FY23: 5.70x). The networth base of the company remain modest at Rs. 26.25 as on March 31, 2024, thus restricting the financial flexibility.

Low counter-party risks

The clientele profile remains strong with navaratna companies such as Rites Ltd along with Karnataka state government entities such as KHB, BDA, etc., thus reducing the counter party credit risk to a large extent. However, it is to be noted that the order execution time remains longer owing to involvement of state governments and elongated time in handing over of project to commence construction.

Liquidity: Stretched

The liquidity position of the company remained stretched marked by full utilization of limits and stretch in receivables and inventory resulting in thin CFO.However, comfort can be drawn from expected GCA of Rs. 6.5-7 crores in FY25 and FY26 against repayment obligations of around Rs. 2.00 crores during the same period.The cash and liquid

investments stood at Rs. 8.58 crores during FY24.(FY23 : Rs. 12.54 crores).Cashflow from operations stood positive at Rs. 1.78 crores during FY24 (FY23 : Rs. 7.81 crores).

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Originally established as a proprietorship firm by Mr Pampamaheshwar Ravindranath , the firm transitioned into a company in 2017 with Mr. Pampamaheshwar Ravindranath serving as the Managing Director , alongside his wife Anusuya Ravindranth and son Veerendra Ravindranath Patil as the other directors. The company is in the business of undertaking infrastructure projects like construction of houses and educational institutions for state and central government entities.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	83.16	91.01
PBILDT	8.25	9.32
PAT	4.44	5.40
Overall gearing (times)	1.37	1.38
Interest coverage (times)	4.01	3.99

A: Audited P:Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31/05/2026	2.00	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	48.00	CARE BB; Stable / CARE A4

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 2024-2025	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
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	48.00	CARE BB; Stable / CARE A4				
2	Fund-based - LT-Term Loan	LT	2.00	CARE BB; Stable				

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-Term Loan	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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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