

Royal Techno Projects (India) Private Limited

December 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.50	CARE BB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	10.50	CARE BB-; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Royal Techno Projects (India) Private Limited (RTPIPL) continued to remain constrained on account of its modest scale of operations and profitability during FY24 (audited, FY refers to the period April 1 to March 31) and stretched liquidity. The ratings, further, continued to remain constrained on account of geographical concentration of its revenue and presence in an intensely competitive and fragmented construction industry.

The ratings, however, continued to derive strength from experience of promoters along with established track record of operations, comfortable capital structure and moderate debt coverage indicators.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations marked by TOI (Total operating income) of Rs.25 crore or more coupled with PBILDT margin (profit before interest, lease rentals, depreciation and taxation) of 8% or more on sustained basis.
- Sustaining comfortable capital structure along with improved debt coverage indicators marked by TDGCA of 7 years or below.

Negative factors

- De-growth in scale of operations marked by TOI of Rs.15 crore or below along with PBILDT margin of 5% or below
- Deterioration in debt coverage indicators marked by TDGCA (total debt to gross cash accruals) of 12 years or above
- Elongation in operating cycle to more than 210 days impacting liquidity of the company.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that RTPIPL is likely to sustain its overall moderate financial risk profile coupled with its comfortable capital structure and debt coverage indicators.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations, moderate profitability and comfortable orderbook position

Scale of operations marked by TOI continued to remain modest at Rs.20.88 crore during FY24 as against Rs.19.31 crore during FY23. Profitability margins remained moderate as marked by PBILDT margins of 6.82% (FY23: 6.48%) and profit after tax (PAT) margins of 2.79% (FY23: 2.17%) respectively during FY24.

RTPIPL has reported sales of Rs.15.21 crore till November 27, 2024. Order book position improved to Rs. 46 crore as on November 26, 2024 as against Rs.17 crore as on December 29, 2023 translating into orderbook to TOI ratio of 2.2x times.

Geographical concentration of its revenue and presence in an intensely competitive and fragmented construction industry

RTPIPL is engaged in the construction of small stretches of new roads and widening, repair & maintenance of existing roads in the vicinity of few cities in the state of Gujarat which leads to geographical concentration of its revenue stream. Further, RTPIPL is a relatively small-sized player operating in the intensely competitive and fragmented construction industry with many small and medium players. The increase in the competition and entry of new players exerts pressure on the margins for the new projects.

Key strengths

Experienced promoters with established track record of operations

RTPIPL's key promoter, Mr. Jitendra Patel, has more than three decades of experience in civil construction business. RTPIPL has established track record of operations of over 3 decades in civil construction and has developed long-standing relationship with various government departments in Gujarat which is reflected in continuous receipt of orders on y-o-y basis. The company has

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

experience in execution of construction of Highways, Airport-runways, Railway Bridge, Irrigation, and civil work. RTPIPL secures all the contracts through bidding process and sub-contracts part of its work.

Comfortable capital structure and moderate debt coverage indicators

Capital structure marked by overall gearing continued to remain comfortable at 0.36 times as on March 31, 2024 (FY23: 0.46 times). Debt coverage indicators marked by interest coverage ratio remained moderate at 2.26 times during FY24 as against 2.21 times during FY23. TDGCA Improved from 11.48 years as on March 31, 2023 to 8.37 years as on March 31, 2024.

Liquidity: Stretched

Liquidity position remained stretched during FY24 as marked by modest GCA, low cash and bank balance and elongated operating cycle. GCA remained at Rs.0.77 crore during FY24 as against Rs.0.67 crore during FY23. However, RTPPL has no long term debt repayment obligation. It has low cash and bank balance at Rs.0.47 (including lien marked FD) crore as on March 31, 2024.

Cash flow from operations (CFO) improved remained positive at Rs. 2.16 crore in FY24 as against negative CFO of Rs. 0.43 crore in FY23. Average utilization of its fund based working capital limit remained at 73% as on March 31, 2024. The operating cycle also remained elongated during FY23 at 189 days as against 169 days in FY23 owing to higher WIP.

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](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Royal Techno Projects (India) Private Limited (RTPIPL), initially known as Royal Construction Company founded back in 1980, got converted into Private Limited Company on August 19, 2009 promoted by Mr. Jitendrakumar M Patel and Mr. Jiten T Engineer. Since inception, the company is engaged in the business of civil construction includes construction of buildings, roads, airport construction of various Government departments and also with private companies. RTPIPL is registered as a 'class AA' contractor and special category 'I' with road & building (R&B) department, Government of Gujarat which enables it to bid for any size of project floated by government of various states and central government and private organizations as well.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	19.31	20.88
PBILDT	1.25	1.42
PAT	0.42	0.58
Overall gearing (times)	0.46	0.36
Interest coverage (times)	2.21	2.26

A: Audited; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	4.50	CARE BB-; Stable
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	10.50	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	10.50	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (05-Jan-24)	1)CARE BB-; Stable / CARE A4 (07-Feb-23)	1)CARE BB-; Stable / CARE A4 (02-Mar-22)
2	Fund-based - LT-Cash Credit	LT	4.50	CARE BB-; Stable	-	1)CARE BB-; Stable (05-Jan-24)	1)CARE BB-; Stable (07-Feb-23)	1)CARE BB-; Stable (02-Mar-22)

LT: Long 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 - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender detailsTo 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.

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About us:

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