

## R M Katore and Co

January 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.54 (Enhanced from 8.46)	CARE BB+; Stable	Upgraded from CARE BB; Stable
Short Term Bank Facilities	23.00 (Enhanced from 15.00)	CARE A4+	Upgraded from CARE A4

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of R M Katore and Co (RMKC) factors in improvement in RMKC's capital structure and debt coverage indicators during FY24 (refers to April 1 to March 31).

The ratings continue to remain constrained by moderate scale of operations, moderate profitability and working capital cycle. The ratings are further constrained by project execution risk inherent in infrastructure projects, highly competitive industry, and partnership nature of constitution.

The ratings, however, continue to derive strength from the partners' extensive experience and healthy order book position providing revenue visibility.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Total Operating Income (TOI) above Rs.200 crore with PBILDT margin above 10% on sustained basis
- Significant improvement in net worth base.

#### Negative factors

- TDGCA beyond 2x
- Elongation of operating cycle beyond 60 days impacting liquidity position
- Any large debt funded capex impacting the overall financial risk profile.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that RMKC will sustain its overall financial risk profile and will continue to benefit from experience of partners in the construction industry

### Detailed description of key rating drivers:

#### Key weaknesses

##### Moderate scale of operations coupled with moderate profitability

RMKC's TOI, though improved, remains moderate at Rs.146.42 crore in FY24 (Rs.106.39 crore in FY23). During 8MFY25 (refers to April 01 to November 30), RMKC has achieved TOI of Rs.71.60 crore.

RMKC's profitability remained moderate marked by PBILDT margin of 6.08% in FY24 as against 6.22% in FY23. The marginally decline was mainly on account of higher raw material costs and higher sub-contracting expenses partially offset by lower employee costs as percentage of sales. PAT margin remained similar at 5.06% in FY24 as against 5.13% in FY23.

##### Moderate working capital cycle

The operating cycle of the firm remained moderate at 36 days for FY24 as against 43 days in FY23. The average collection period improved and remained at 43 days in FY24 as against 56 days in FY23. The improvement mainly reflects timely collection of receivables from the authorities. The creditor's period remained in similar lines at 18 days in FY24 as against 22 days in FY23. Nevertheless, operating cycle remains moderate and is affected by nature of individual work order and payment terms. The firm's ability to maintain the operating cycle at current levels will be rating monitorable.

##### Project execution risk inherent in infrastructure projects

Given the nature of projects awarded, RMKC is exposed to inherent risk in terms of delays in certain projects undertaken by the firm due to delay in approvals and sanction from regulatory bodies, land acquisition issues, thus exposing the firm to the risk of delay in execution of projects resulting in a delay in the realization of revenue growth. Execution of projects in timely manner will lead to operational efficiency of the firm.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Highly competitive industry because of the fragmented and tender-driven nature of business

The construction industry is fragmented in nature with many medium scale players present at regional level. This coupled with the tender-driven nature of construction contracts poses huge competition and puts pressure on the profit margins of the players. However, the business from the railways is high entry barrier due to requirement of technical knowhow and a long track of successful execution with railways is required for winning the bids.

### Partnership nature of constitution

The constitution as a partnership firm restricts RMKC's overall financial flexibility in terms of limited access to external funds for any future expansion plans. Further, there is inherent risk of possibility of withdrawal of capital in times of personal contingency as it has limited ability to raise capital and poor succession planning may result in dissolution of the firm in case of death/insolvency of partner.

### Key strengths

#### Improvement in capital structure and debt coverage indicators

The capital structure of RMKC remained comfortable marked by overall gearing ratio of 0.19x as on March 31, 2024, as against 0.45x as on March 31, 2023. The improvement was on account of lower utilization of working capital limits as on balance sheet date along with increase in net worth base. Further, with low gearing levels and increase in profit levels, the debt coverage indicators improved with interest coverage ratio and total debt to gross cash accruals at 7.10x and 0.70x respectively as on March 31, 2024 (P.Y. 6.41x and 1.85x).

#### Healthy order book position

RMKC had a healthy order book amounting to Rs.495.05 crore as on November 30, 2024 (i.e. 3.39x FY24 TOI), to be executed over next 12-15 months, signifying strong revenue visibility over next 2 years. The addition of new work order is expected to grow the top line of RMKC as the company holds requisite experience and expertise in execution high work orders. Majority of the orders include construction of water supply systems.

#### Extensive experience of partners with long established track record

Ramhari Katore is a civil engineer under whose overall guidance the firm has prospered over the years is a first-generation entrepreneur having extensive experience of more than two decades. Nikhil Katore is also a civil engineer along with a decade of experience and looks after the overall execution and business development.

#### Liquidity: Adequate

The liquidity position of RMKC remained adequate marked by expected GCA of Rs.7-8 crore against debt repayment obligation of Rs.0.17 crore arising in FY25. The average utilisation of its CC limit stood at ~33% during twelve months ended November 30, 2024, hence, the unutilized credit lines provide extra comfort in meeting its daily working capital requirements. The average utilisation of non-fund-based limits stood moderate at 79% during last twelve months ended November 30, 2024, driven by growing scale of operations.

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Nonfinancial Sector](#)

[Construction](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Established in 1998, R. M Katore and Co. (Previously known as R. M. Katore) is a Pune based firm promoted by Ramhari Katore. The firm was established as a proprietorship entity in 1998 and later changed its constitution in 2015, with Nikhil Katore joining the family business. The company executes civil projects for diverse sectors including roads, bridges, residential and commercial complexes. Furthermore, RMKC is registered as a Class 1 contractor with the public works department (PWD – Maharashtra).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	106.39	146.42
PBILDT	6.62	8.90
PAT	5.46	7.41
Overall gearing (times)	0.45	0.19
Interest coverage (times)	6.41	7.10

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	31-03-2027	0.54	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	23.00	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	Fund-based - LT-Cash Credit	LT	10.00	CARE BB+; Stable	-	1)CARE BB; Stable (30-Jan-24) 2)CARE B-; Stable; ISSUER NOT COOPERATING * (02-Nov-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (02-Nov-22)	1)CARE B; Stable; ISSUER NOT COOPERATING * (01-Oct-21)
2	Non-fund-based - ST-Bank Guarantee	ST	23.00	CARE A4+	-	1)CARE A4 (30-Jan-24) 2)CARE A4; ISSUER NOT COOPERATING * (02-Nov-23)	1)CARE A4; ISSUER NOT COOPERATING * (02-Nov-22)	1)CARE A4; ISSUER NOT COOPERATING * (01-Oct-21)
3	Fund-based - LT-Term Loan	LT	0.54	CARE BB+; Stable	-	1)CARE BB; Stable (30-Jan-24)	-	-

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

LT: Long term; ST: 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	Fund-based - LT-Term Loan	Simple
3	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 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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