

## R. K. Construction (Jamshedpur)

March 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.00	CARE BB; Stable	Assigned
Long Term Bank Facilities	25.00 (Enhanced from 5.00)	CARE BB; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE B-; Stable
Short Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

In the absence of minimum information required for rating purposes, CARE Ratings Limited (CARE Ratings) had been unable to express an opinion on ratings of R. K. Construction (Jamshedpur) (RKC). In line with the extant SEBI guidelines, CARE Ratings had revised ratings assigned to bank facilities of the firm to 'CARE B-; Stable; ISSUER NOT COOPERATING/CARE A4; ISSUER NOT COOPERATING'. However, the firm has now submitted the requisite information. Accordingly, CARE Ratings has carried out a full review and ratings have been revised to 'CARE BB; Stable'.

Revision in ratings assigned to bank facilities of RKC factors in the firm's stable scale of operations attributable to better execution of orders in hand and improving capital structure. However, ratings are primarily constrained by small scale of operations, tender driven nature of business and highly competitive industry, constitution as a proprietorship firm and moderate capital structure and debt coverage indicators. These weaknesses are partially offset by the experience of promoters with long track record of operations, satisfactory profitability margins, moderate order book position and reputed clientele resulting in minimal default risk.

CARE Ratings has withdrawn the rating assigned to the short-term bank facility (Bank Guarantee) of RKC with immediate effect, as it has been reclassified under cash credit limit as per latest sanction letter and there is no outstanding for the facility as on date.

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

#### Positive factors

- Sizable increase in total operating income (turnover > 200 crore) along with sustainable operating margin greater than 10% on a sustained basis.
- Conversion of firm into a limited entity.

#### Negative factors

- Sizable de-growth in total operating income (turnover < 75 crore) along with deterioration in operating margin to below 5% on a sustained basis.
- Increase in debt level leading to deterioration in capital structure with overall gearing above 2x times on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings' expectations that the firm will continue to benefit from experience of promoters and management in the industry and established relationship with customers and suppliers.

### Detailed description of key rating drivers:

#### Key weaknesses

**Small scale of operations:** The scale of operation of the firm remained small despite its long track record. Though the total operating income (TOI) has improved over last five years on account of better execution of orders in hand at a CAGR of around

<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.

15%; the same stood low at ₹115.61 crore in FY24 as against ₹115.50 crore in FY23. The small size restricts the financial flexibility of the firm in times of stress and deprives it from benefits of economies of scale. In 9MFY25, the TOI stood at Rs.79.61 crore.

The TOI is expected to improve gradually in the near-to-medium term with timely execution of orders.

**Tender driven nature of business and highly competitive industry:** RKC's revenue stream is largely derived from tender-based projects, making its success contingent on its ability to secure these contracts. The intense competition in the industry with direct competition from organised and unorganised players in the market given the low barriers to entry, puts immense pressure on profit margins. However, promoters' extensive experience in the construction industry, spanning three decades, serves as a mitigating factor against this risk.

**Constitution as a proprietorship firm:** RKC, being a proprietorship firm, is exposed to inherent risk of the capital being withdrawn at time of personal contingency and firm being dissolved upon the death/insolvency of the proprietors. Furthermore, proprietorship entities have restricted access to external borrowing as credit worthiness of partner would be the key factors affecting credit decision for the lenders.

**Moderate capital structure and debt coverage indicators:** The capital structure of the firm continued to remain moderate marked by overall gearing ratio that stood at 1.48x as on March 31, 2024, as against 1.53x as on March 31, 2023. The capital structure has been improving over the years majorly owing to timely servicing of long-term debt obligations, infusion of equity from the promoters along with accretion of reserves in the net worth. TD/GCA stood modest at 3.58x as on March 31, 2024 (P.Y. 3.32x). However, the interest coverage ratio has also remained comfortable at 5.47x in FY24.

Going forward, the capital structure is expected to improve in the medium term with growing scale of operations and accrual of profits to network.

## Key strengths

**Experienced promoters with long track record of operation:** RKC has been in operation since 2008, accordingly has a long track record of operation. Further, the firm is managed by Mr. Rajendra Shangari, proprietor, along with a team of experienced personnel. The proprietor has around three decades of experience in construction industry.

**Moderate order book position and reputed clientele resulting in minimal default risk:** As of January 31, 2025, the firm has an order book position of ₹164.32 crore, ~1.42x of FY24 revenue, which provides revenue visibility in the near-to-medium term to an extent. The firm receives orders from reputed organisations such as TATA Steel Limited and its associate companies along with Public Works Departments of Jharkhand and Bihar.

**Satisfactory profitability margins:** The firm executes small size of projects where in the margin remains satisfactory and accordingly the operating margin remained satisfactory and stood at 10.57% in FY24 vis a-vis 11.03% in FY24.

## Liquidity: Adequate

The liquidity position of the firm is adequate with gross cash accruals of ₹8.03 crores during FY24 against debt repayment obligations of around ₹3.30 crores for FY24. Going ahead the firm is expected to generate sufficient accruals to meet its debt repayment obligations of around ₹3.60 crores in FY25. Further, the firm had unencumbered liquidity of ₹28.24 crores as of March 31, 2024. The average monthly utilisation of fund-based working capital limits stood at around ~70% for the past 12-month period ended January 31, 2025.

## Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Construction](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

R. K. Construction (RKC) was established during 2008 in Jamshedpur. RKC is a relatively small sized Jharkhand based firm engaged in providing different types of civil construction services, which include land development, construction of roads, bridges and other constructions. The firm is entitled as Class 1 contractor of Central Public Works Department and a registered contractor of the TATA group. The day-to-day operations are looked after by Mr. Rajendra Shangari with the help of a team of experienced personnel.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	115.50	115.61	79.61
PBILDT	12.74	12.22	9.57
PAT	4.86	5.36	4.84
Overall gearing (times)	1.53	1.48	-
Interest coverage (times)	4.98	5.47	5.98

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

**Status of non-cooperation with previous CRA:** CRISIL Ratings has conducted the review on the basis of best available information and has classified RKC as "Not cooperating" vide its press release dated January 17, 2024. The reason provided by CRISIL Ratings is non-furnishing of requisite information for monitoring of ratings and non-submission of NDS for the last three months.

**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		-	-	-	25.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	31-03-2026*	10.00	CARE BB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn

\*Maturity date is pertaining to term loan of ₹1.58 crore and remaining rated term loan of ₹8.42 crore is proposed.

**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	25.00	CARE BB; Stable	1)CARE B-; Stable; ISSUER NOT COOPERATING * (02-Aug-24)	1)CARE B; Stable; ISSUER NOT COOPERATING * (23-May-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING * (18-May-22)	-
2	Non-fund-based - ST-Bank Guarantee	ST	-	-	1)CARE A4; ISSUER NOT COOPERATING * (02-Aug-24)	1)CARE A4; ISSUER NOT COOPERATING * (23-May-23)	1)CARE A4; ISSUER NOT COOPERATING * (18-May-22)	-
3	Fund-based - LT-Term Loan	LT	10.00	CARE BB; Stable				

\*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.

### Contact us

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### About us:

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