

Shri Rajendra Kumar Kalal (Revised)

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	15.00	CARE BB+; Stable / CARE A4+	Reaffirmed
Short Term Bank Facilities	25.00 (Enhanced from 15.00)	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Shri Rajendra Kumar Kalal (RKK) continue to remain constrained on account of its moderate orderbook position with high geographical and sectoral concentration, presence in a highly fragmented and competitive construction industry and vulnerability of profitability margins to volatile raw material prices and its constitution as a proprietorship concern.

Ratings, however, continue to derive strength from established track record of operations of the firm with demonstrated execution capability and moderate orderbook along with limited counterparty credit risk. CARE Ratings Limited (CARE Ratings) take cognisance of the growth in the scale of operation of RKK while maintain moderate profitability during FY24 (FY refers the period from April 01 to March 31) and 9MFY25.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in its orderbook and timely execution thereof resulting in increase in significant growth in its scale of operations while maintaining its profitability on a sustained basis.

Negative factors

- Decline in profit before interest, lease rentals, depreciation and tax (PBILDT) margin below 8.00%.
- Deterioration of capital structure beyond 1.50x owing to high debt or withdrawal of capital by the proprietor.
- Deterioration of liquidity position owing to delay in payment from government departments.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that RKK will continue to derive benefit from experience of its proprietor having long-track record of operations in construction industry and its moderate orderbook.

Detailed description of key rating drivers:

Key weaknesses

Moderate orderbook with limited counterparty risk

As on March 15, 2025, RKK's order book decreased to ~₹149 crore with 13 orders in hand (₹216 crore as on March 26, 2024, which forms ~2.60x of its TOI of FY23) which forms ~0.87x of its TOI for FY24, thereby reflecting limited revenue visibility in the medium-term. However, majority of the orders are awarded by the nodal agencies of the Rajasthan State Government, translating into limited counterparty credit risk. The firm plans to bid for the certain projects in near term, which shall enhance its revenue visibility.

High geographical and sectoral concentration of its orderbook

Firm operates in a single segment i.e. road construction and all the projects are located in the state of Rajasthan, resulting in high geographical and sectoral concentration risk. Majority of the projects are from nodal government agency of Rajasthan hence any disruption in the region can negatively impact the revenue receipt of the firm.

Presence in a highly fragmented and competitive construction industry

RKK is a small-sized player operating in an intensely competitive and fragmented construction industry with presence of large number of contractors. Furthermore, with low counterparty credit risk related to government bodies, these projects are lucrative for all the contractors and hence are highly competitive.

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

Susceptibility of margins to volatile raw material prices and its constitution as a proprietorship concern

Prices of basic raw materials (steel, cement, bitumen, asphalt) required by the firm are volatile in nature. Hence, in the absence of price escalation clause, RKK's profitability remains susceptible to sharp variations in raw material prices. However, due to shorter tenure of the projects executed by RKK, effects of price variation on profitability remains limited. Further, its constitution as a proprietorship concern with modest net worth base restricts its overall financial flexibility in terms of access to external funds for any future expansion plans. Furthermore, there is an inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of any mis-happenings to the proprietor.

Key strengths

Established track record of operations and execution capability

Mr. Rajender Kumar Kalal, proprietor of RKK, has an experience of more than 18 years and has an established track record of executing road construction projects awarded by PWD, Rajasthan. The firm owns major part of the equipment and machinery it requires for project execution, which facilitates efficient deployment of the resources and timely execute projects. As on March 31, 2024, RKK's gross block stood at ~₹62.86 crore.

Growth in scale of operations while maintaining moderate profitability

Firm's scale of operations grew significantly which marked by more than doubled total operating income (TOI) of ₹171.10 crore during FY24 as against ₹82.90 crore during FY23 on account of healthy execution of its orderbook. Alos, sales momentum continued further with firm achieving a TOI of ₹153.89 crore in 11MFY25.

Profitability remained moderate marked by PBILDT and profit after tax (PAT) margin of 8.02% and 3.65% respectively in FY24 (FY23: 10.67% and 2.50% respectively). Consequently, gross cash accruals (GCA) of the firm also grew from ₹5.65 crore in FY23 to ₹11.06 crore in FY24.

Moderate capital structure

Capital structure of the firm has improved marked by overall gearing of 0.47x as on March 31, 2024 (1.01x as on March 31, 2023) on account of reduction in debt level (working capital borrowings) coupled with accretion of profit to the capital base.

However, during 11MFY25, firm has done significant addition of machinery equipment with new term loans of ~₹10 crore, considering which, slight moderation is envisaged in its gearing structure in near future.

Debt coverage indicators of the firm marked by PBILDT interest coverage and total debt to GCA (TDGCA) improved in FY24 on a y-o-y basis and remained moderate at 3.80x (FY23: 2.90x) and 2.22 years (FY23: 8.06 years) respectively during FY24.

Liquidity: Stretched

Liquidity of the firm remained stretched marked by moderate cash accruals against the debt repayment obligations, high utilization of working capital limits, moderate operating cycle and limited cushion in form of free cash and liquid investment with blockage of funds towards security deposits and margin money for bank guarantees issued.

The firm is envisaged to generate moderate cash accruals between ₹8-9 crore as against envisaged repayments of ~₹7-8 crore. Average month-end utilization of FB limits remained high at ~94% for past six months ended February 2025. Utilization for non-fund based limits remained moderate at ~60-70%. RKK had low cash and bank balance of ₹0.34 crore as on March 31, 2024. (excluding fixed deposits lien with bank of ₹15.19 crore).

Firm books the revenue after receipt of payment from government department and hence, debtors remain low. Working capital cycle of RKK improved to 57 days in FY24 as against 74 days in FY23 mainly due to improvement in scale of operations and reduced inventory levels. Cashflow from operations (CFO) of the firm stood at ₹21.11 crore in FY24 as against negative ₹19.93 crore in FY23. The current ratio and quick ratio of the firm stood at 2.39 times (FY23: 1.00) and 1.79 times (FY23: 0.32) respectively as on March 31, 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Udaipur (Rajasthan) based RKK was formed in 200 by Mr. Rajender Kumar Kalal as a proprietorship concern. RKK is engaged in the business of civil construction with major focus on construction of roads for government departments. The firm is registered as an 'AA' class (highest in the scale of AA to E) approved contractor with Public Works Department, Rajasthan (PWD).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	82.90	171.10	153.89
PBILDT	8.85	13.72	NA
PAT	2.07	4.59	NA
Overall gearing (times)	1.01	0.47	NA
Interest coverage (times)	2.90	3.80	NA

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: India Ratings has reviewed the rating assigned to bank facilities of RKK under issuer non-cooperation category vide press release dated February 11, 2025, in the absence of the requisite information.

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/ST-Cash Credit	-	-	-	-	15.00	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-Bank Guarantee	-	-	-	-	25.00	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/ ST-Cash Credit	LT/ST	15.00	CARE BB+; Stable / CARE A4+	1) CARE BB+; Stable / CARE A4+ (05-Apr-24)	-	1)CARE BB+; Stable / CARE A4+ (30-Mar-23)	1)CARE BB+; Stable (22-Feb-22)
2	Non-fund-based - ST-Bank Guarantee	ST	25.00	CARE A4+	1)CARE A4+ (05-Apr-24)	-	1)CARE A4+ (30-Mar-23)	1)CARE A4+ (22-Feb-22)

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/ ST-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 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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