

Rishabh Constructions Private Limited

January 29, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	10.50 (Enhanced from 7.90)	CARE D (Single D)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Long Term / Short Term Bank Facilities	67.74 (Reduced from 101.60)	CARE D / CARE D (Single D / Single D)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Long Term Bank Facilities	0.00		Withdrawn
Short Term Bank Facilities	0.00		Withdrawn
Total Facilities	78.24 (Rs. Seventy-Eight Crore and Twenty-Four Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to bank facilities of Rishabh Constructions Private Limited (RCPL) takes into account on-going delays in servicing of debt obligations on account of poor liquidity.

CARE also takes cognizance of the RCPL availing the moratorium granted by one of its lender as a Covid relief measure (as permitted by the Reserve Bank of India) for a period commencing from March 2020 to May 2020 for debt obligations.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in overall liquidity position of the company along with timely repayment of its debt obligations

Negative Factors- Factors that could lead to negative rating action/downgrade: – Not applicable

Detailed description of the key rating drivers

Key Rating Weaknesses

On-going delays in debt servicing:

There are on-going delays in servicing of debt obligations by the company due to poor liquidity.

Liquidity - Poor

Liquidity is poor marked by delay in raising bill along with delayed realisation of payment from its customers. The construction segment is inherently working capital intensive primarily due to funding requirement towards the security deposit, retention amount and margin money which is evinced by around 95-100% utilisation of non-fund-based facilities by RCPL during the trailing 12 month period ended December 2020. Further, utilisation of fund based working capital limits remained full with various instances of overdrawn during the last 12 months ending December, 2020 which, as per the banker, were regularised within 30 days time. Apart from working capital bank borrowing limits, the company also avails mobilisation advances (interest bearing) from the customers and unsecured loans for meeting its working capital requirements. Further, the company has also been sanctioned limits of Rs.5 crore for working capital limits under raw material assistance scheme from NSIC. Operating cycle of the company remained elongated at 138 days in FY20 due to high quantum of work in progress inventory as well as unsold area of City Square Mall of Rs.27.27 crore as on March 31, 2020.

Current ratio and quick ratio of the company stood at 2.08 times and 0.54 times respectively as on March 31, 2020 with free cash and bank balance of Rs.1.50 crore as on March 31, 2020. Further, its cash flow from operating activities increased from Rs.5.67 crore in FY19 to Rs.7.81 crore due to decrease in inventory level.

The company has availed covid emergency loan of Rs.0.75 crore (10% of FB limits) and Covid loan of Rs.3.06 crore under guaranteed emergency credit line scheme announced by RBI.

Impact of COVID-19 pandemic

The Covid-19 pandemic had halted the operations of the company as construction work were halted at its all the sites from March 22, 2020 upto May 31, 2020. With the relaxation in lockdown on construction activities; the execution work resumed

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

gradually with effect from June, 2020 on its construction sites after taking requisite approvals from respective authorities. Even though the work on the sites have resumed, the pace of work execution was adversely affected during 8MFY21 owing to mass migration of labour and supply chain disruptions which is evident from the lower TOI of Rs.29.50 crore reported in 8MFY21. There has been gradual recovery in pace of execution and as articulated by the management currently the company is not facing issues with respect to labour shortage, raw-material procurement/logistics services. The company was granted moratorium by one of its lenders for debt obligation for the period from March, 2020 to May, 2020.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Withdrawal of Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Construction](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Jaipur (Rajasthan) based RCPL, incorporated in November 1984 and promoted by Mr. Mahendra Kumar Sethi and Mr. Madan Lal Sethi. RCPL is engaged in execution of civil construction contract works with major focus on construction of buildings, refurbishment/modification of buildings, hospitals, sophisticated & complex laboratories, water supply & sewage disposal and electrical engineering works. It is a 'SS' (highest in the scale of SS to E) class approved contractor from Military Engineer Services (MES) and 'AA' class approved contractor from Central Public Work Department (CPWD). The company also undertakes civil construction work for private clients. It also has a wind mill in Jaisalmer with a total installed capacity of 1.25 Mega Watt (MW).

Brief Financials (Rs. crore)	FY19 (A)	FY20 (Provisional)
Total operating income	79.73	104.45
PBILDT	7.81	7.28
PAT	0.35	0.88
Overall gearing (times)	1.40	1.19
Interest coverage (times)	1.28	1.38

A: Audited

As per provisional results for 8MFY21, RCPL reported TOI of Rs.29.50 crore..

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	67.74	CARE D / CARE D
Fund-based - LT-Bank Overdraft	-	-	-	10.50	CARE D
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - ST-Bank Overdraft	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	67.74	CARE D / CARE D	-	1)CARE D / CARE D; ISSUER NOT COOPERATING* (04-Nov-19)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (11-Jun-18)	1)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (07-Mar-18) 2)CARE BB; Stable / CARE A4 (12-Apr-17)
2.	Fund-based - LT-Bank Overdraft	LT	10.50	CARE D	-	1)CARE D; ISSUER NOT COOPERATING* (04-Nov-19)	1)CARE D; ISSUER NOT COOPERATING* (11-Jun-18)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (07-Mar-18) 2)CARE BB; Stable (12-Apr-17)
3.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE D; ISSUER NOT COOPERATING* (04-Nov-19)	1)CARE D; ISSUER NOT COOPERATING* (11-Jun-18)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (07-Mar-18) 2)CARE BB; Stable (12-Apr-17)
4.	Fund-based - ST-Bank Overdraft	ST	-	-	-	1)CARE D; ISSUER NOT COOPERATING* (04-Nov-19)	1)CARE D; ISSUER NOT COOPERATING* (11-Jun-18)	1)CARE A4; ISSUER NOT COOPERATING* (07-Mar-18) 2)CARE A4 (12-Apr-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – N/A

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-Bank Overdraft	Simple
4.	Non-fund-based - LT/ ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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