Rajendra Singh Bhamboo Infra Private Limited

February 14, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	42.00	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Revised from CARE BBB-;Positive (Triple B Minus; Outlook: Positive)**
Long-term/Short-term Bank Facilities	258.00 (enhanced from 200.00)	**CARE BBB; Stable/CARE A3+ (Triple B; Outlook: Stable/A Three Plus)**	**Revised from CARE BBB-; Positive/CARE A3 (Triple B Minus; Outlook: Positive/ A Three)**
Total Facilities	**300.00 (Rupees Three Hundred crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Rajendra Singh Bhamboo Infra Private Limited (RIPL) is on account of healthy growth in its scale of operations along with improvement in its profitability, capital structure as well as debt coverage indicators during FY19 (refers to the period April 1 to March 31) as well as expected growth in its scale of operations in FY20 on y-o-y basis as evinced by higher revenue reported in H1FY20 on the back of its healthy order book resulting in medium term revenue visibility.

The ratings further take comfort from vast experience of its promoters and management in the construction industry and long standing association with clients, along with its comfortable debt coverage indicators and adequate liquidity.

The ratings, however, continue to remain constrained on account of its geographically concentrated and moderate scale of operations with moderate profitability margins and capital structure and presence in a highly fragmented construction sector with tender based nature of operations resulting in high competitive intensity.

Rating Sensitivities

Positive Factors:

- Sizeable increase in scale of operations along with good revenue visibility
- Execution of orders within stipulated time frame and timely receipt of contract proceeds
- Improvement in PBILDT margin to above 12% on sustained basis
- Improvement in overall gearing to below 0.70x

Negative Factors:

- Decline in its total operating income (TOI) by more than 20% from envisaged levels
- PBILDT margin falling below 9% on sustained basis
- Deterioration in its overall gearing beyond 2.00 times
- Any delay in execution of orders leading to imposition of penalties and invocation of performance bank guarantee

Detailed description of the key rating drivers

Key Rating Strengths

Vast experience of promoters and management in construction industry and long standing association with clients:

RIPL is promoted by Mr Rajendra Singh Bhamboo and Mr Rajendra Kumar Dangi who have more than two decades of experience in the construction sector. They are assisted by other directors namely Mr Manish Dangi (son of Mr. Rajendra Kumar Dangi) and Mr. Sachin Bhamboo (son of Mr. Rajendra Singh Bhamboo) who help in looking after overall management of the company. Moreover, the directors are supported by a team of managerial personnel and technical team having relevant experience in their respective fields.

RIPL has long-standing relationship with various other government authorities like the Public Works Department (PWD), Jaipur Development Authority (JDA), Rajasthan State Road Development and Construction Corporation (RSRDC) and Water Resources Department (WRD). The company has been benefiting from the experience and relationship developed by its promoters as evinced by its position in the highly competitive industry.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

Healthy growth in its scale of operations along with healthy order book position:
During FY19, TOI of the company grew by around 27% to Rs.392.12 crore on the back of higher execution of orders in hand. Further, RIPL has reported revenue of Rs.263.74 crore in H1FY20 (H1FY19:Rs.127.15 crore) on account of higher execution of orders in hand. Considering the fact that the execution remains normally higher in second half, TOI of the company is expected to grow in FY20 on y-o-y basis.
As on September 30, 2019, the company has healthy order book of Rs.855.28 crore forming around 2.03 times of gross receipt of RIPL for FY19 thereby indicating medium term revenue visibility. Out of these, orders of around Rs.227.74 crore are expected to be completely executed up-to March, 2020 and balance would be executed within 7-24 months. However, securing all regulatory approvals and completion of work in a timely manner will be crucial as un-envisaged delays and hurdles can impact the construction progress. Further, RIPL’s dependence on single party was moderately lower with its customer base being a mix of government entities.

Comfortable debt coverage indicators:
RIPL’s debt coverage indicators have exhibited improvement from FY18 level with total debt to GCA of 2.83 times as on March 31, 2019 as compared to 4.55 times as on March 31, 2018 due to higher proportionate increase in its GCA level vis-à-vis that of total debt. Further, its PBILDT interest coverage improved to 4.26 times in FY19 as against 3.42 times in FY18 mainly on account of higher proportionate increase in operating profit vis-à-vis interest expenses.
Additionally, during H1FY20, its debt coverage indicators improved further with total debt to GCA (annualized) of 2.51 times as on September 30, 2019 and interest coverage ratio at 5.02 times.

Liquidity -Adequate:
The liquidity ratios of the company stood moderate with current ratio and quick ratio of 1.15 times and 0.63 times respectively as on March 31, 2019. Further, the average utilization of its fund-based working capital limit stood moderate at around 74% during trailing 12 month period ended November, 2019 with free cash and bank balance of around Rs.8.85 crore as on March 31, 2019. Further, its working capital cycle improved and stood at 7 days in FY19 as against 17 days in FY18 due to increase in creditor period. Additionally, the company expects cash accruals of Rs.30-37 crore against debt repayments of Rs.15-21 crore in the next 3 years (FY20-22). Moreover, its cash flow from operating activities increased to Rs.25.27 crore in FY19 (FY18: Rs.23.13 crore) due to increase in profitability level.

Key Rating Weaknesses
Moderate profitability margins despite some improvement in FY19:
During FY19, PBILDT margin of the company increased by around 262 bps to 11.39% mainly on account of lower contract expenses which can also be partially attributed to higher margins earned on orders executed. With increase in operating profit margin, PAT margin also increased by around 163 bps to 4.30% in FY19, with its GCA level increasing significantly by around 89% to Rs.26.95 crore in FY19 (Rs.14.23 crore in FY18). However, during H1FY20, the company has reported PBILDT and PAT margin of 9.44% & 4.09% respectively with GCA of Rs.16.19 crore as against PBILDT and PAT margin of 9.96% and 3.13% respectively with GCA of Rs.7.91 crore in H1FY19. Overall, the profitability margin of the company continues to remain at a moderate level.

Geographical concentration:
Despite growth in its scale of operations over the past few years, RIPL’s order book remained geographically concentrated as majority of the orders on hand are in Rajasthan and Madhya Pradesh. However, the company is trying to mitigate the geographical concentration risk by diversifying its presence to other states, as order book consist of one road project secured from PWD, Maharashtra.

Moderate capital structure:
RIPL’s capital structure stood moderate with an overall gearing of 1.58 times as on March 31, 2019, improved from 2.27 times as on March 31, 2018 attributed to increase in net worth base backed by healthy accretion of profit to reserve along with infusion of equity by the promoters amounting to Rs.3.00 crore. Further, the capital structure also improved on account of lower utilization of its working capital limit as on balance sheet date. Additionally, its overall gearing improved to 1.38 times as on September 30, 2019.

Moderate scale of operations and its presence in a fragmented nature of construction sector with tender based nature of operations:
The construction sector in India is highly fragmented with a large number of small and mid-sized players wherein RIPL has a moderate scale of operations. This coupled with tendering process in order procurement results into intense competition within the industry, fluctuating revenues and restrictions in profitability. Additionally, continued increase in execution

challenges including delays in land acquisition, regulatory clearances, aggressive bidding, interest rate risk and delays in project due to environmental clearance are other external factors that affect the credit profile of industry players.

Outlook on Industry
The Government of India has been undertaking several steps for boosting the infrastructure development and reviving the investment cycle in the segment, which was facing a slowdown since past couple of years. A few measures include relaxation of Foreign Direct Investment (FDI) norms for the sector, infrastructure status accorded to affordable housing and fund allocation for projects like development of 100 smart cities, Housing for All by 2022 and Atal Mission for Urban Rejuvenation and Transformation (AMRUT). In the budget (2019-20), total outlay of Rs.4.56 lakh crore (compared with Rs.5.97 lakh crore in 2018-2019) has been planned for infrastructure sector with emphasis over the transportation sector i.e. roads, highways and railways. The same is expected to drive growth opportunities subject to availability of adequate working capital.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Ratings and Credit Watch
CARE's Policy on Default Recognition
Rating Methodology-Construction
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector

About the Company
RIPL was incorporated in September, 2010 with an objective to undertake construction projects and is promoted by Mr. Rajendra Singh Bhamboo and Mr. Rajendra Singh Dhangi. The promoters also managed partnership firm M/s Rajendra Singh Bhamboo (RSB) which has been involved in execution of different construction projects since 2003. RIPL is involved in execution of projects involving construction of bridges, roads, pavements, buildings etc. for its customers spanning across different sectors including Railways, Public Works Department (PWD) and Power. The company operates through one branch in Jaipur (Rajasthan). The company is also classified as 'AA' class contractor with PWD-Govt. of Rajasthan, Jaipur Development Authority and Rajasthan Urban Infrastructure Development Project (RUIDP).

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	309.33	392.12
PBILDT	27.13	44.67
PAT	8.25	16.87
Overall gearing (times)	2.27	1.58
Interest coverage (times)	3.42	4.26

A: Audited

As per provisional results for H1FY20, RIPL has reported TOI of Rs.263.74 crore with PAT of Rs.10.79 crore.

Status of non-cooperation with previous CRA: CRISIL in its press release vide dated December 13, 2018 has continued to classify the rating of RIPL in Issuer not cooperating category.

Any other information: Not applicable

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

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
Fund-based - LT-Cash Credit	-	-	-	42.00	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	258.00	CARE BBB; Stable / CARE A3+

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	42.00	CARE BBB; Stable	-	1)CARE BBB-; Positive (13-Dec-18)	1)CARE BBB-; Stable (12-Dec-17)	1)CARE BBB- (28-Jul-16)
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	258.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB-; Positive / CARE A3 (13-Dec-18)	1)CARE BBB-; Stable / CARE A3 (12-Dec-17)	1)CARE BBB- / CARE A3 (28-Jul-16)

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

Contact us

Media Contact
Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Name: Harsh Raj Sankhla
Contact no.: +91-141-4020213/14
Email ID: harshraj.sankhla@careratings.com

Relationship Contact
Name: Nikhil Soni
Contact no.: +91-141-4020213/14
Email ID: nikhil.soni@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**