

## Rajshree Construction

May 28, 2020

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long term Bank Facilities	5.14	<b>CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* (Double B; ISSUER NOT COOPERATING*) Based on best available information
Short term bank facilities	3.75	<b>CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Based on best available information
<b>Total facilities</b>	<b>8.89 (Rupees Eight crore and Eighty Nine only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 12, 2019, placed the ratings of Rajshree Construction (RCO) under the 'issuer non-cooperating' category as RCO had failed to provide information for monitoring of the ratings as agreed to in its Rating Agreement. RCO continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated May 06, 2020, May 12, 2020, May 13, 2020 and May 14, 2020. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair ratings.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.***

The ratings have been revised on account of non-availability of requisite information for review.

The ratings take into account, RCO's moderate scale of operations with adequate liquidity position in FY18 (FY refer to period of April 1 to March 31), exposure to foreign exchange fluctuation risk and raw material price risk and limited customer & product portfolio coupled with geographic concentration.

It also takes into account comfortable profitability, capital structure and debt coverage indicators along with experienced promoters and established operational track record, location advantage resulting in easy access of raw material, well established market network.

### Detailed description of the key rating drivers

*At the time of last rating on March 12, 2019 the following were the rating strengths and weaknesses*

#### Key Rating Weaknesses

##### **Moderate scale of operations with moderate work order book**

During FY18, TOI of RCO increased by 47.31% y-o-y and remained at Rs.44.56 crore as against Rs.30.25 crore during FY17 on account of higher number of orders executed by the firm.

The firm had an outstanding order book of Rs.45 crore as on November 14, 2018.

##### **Partnership nature of its constitution leading to limited financial flexibility and risk of capital withdrawals by partners**

Being a partnership firm, it is exposed to the risk of withdrawal of capital by partners due to personal exigencies, dissolution of firm due to retirement or death of any partner and restricted financial flexibility due to inability to explore cheaper sources of finance leading to limited growth potential.

##### **Geographical concentration risk with limited revenue diversity**

RCO is a medium sized player and majority of past projects executed were concentrated in Gujarat. It exposes the firm to economic and political risk associated with the state of Gujarat.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications; \*Issuer did not cooperate; Based on best available information

RCO's focus is limited to only road and bridge segment which restricts its scale of operations and exposes RCO to the segmental revenue concentration risk.

**Volatility in input prices and absence of price escalation clause**

The prices of the key raw materials viz., Steel, cement and aggregates are very volatile in nature. Although, RCO does not have an in-built price escalation clause in its current contracts, the firm includes the possibility of raw material volatility at the time of bidding for contracts. Volatility in input prices also impacted the profitability margins of the firm.

**Presence in a highly fragmented and competitive industry**

RCO operates in the road construction industry which requires bidding for the projects based on the tenders. Accordingly, the firm is exposed to intense competition and given the current, rising interest rates and volatile economic environment; there has been slowdown in release of new contracts resulting in sluggish growth of the construction industry.

**Key Rating Strengths****Experienced promoters**

RCO has four partners namely Mr. Hitendra Handa, Mr. Jaswant Handa, Mr. Deepsingh Handa and Mrs. Kokilaben Handa. All promoters hold healthy experience of more than a decade in construction industry.

**Established track record of operations and reputed clientele**

RCO has been in the business of construction for more than a decade. With its established operations and regional presence, it has been able to establish strong relationship with the government agencies. RCO is registered as an 'A' class contractor with GoG which enables the firm to bid for contracts of all sizes floated by the concerned authorities.

**Comfortable profitability**

During FY18 (A), PBILDT margin of RCO deteriorated marginally, but stood comfortable at 10.67% as against 11.73% in FY17. PAT margin has also improved and stood at 7.02% during FY18 as against 4.42% in FY17.

**Comfortable capital structure and debt coverage indicators**

As on March 31, 2018, capital structure of RCO stood comfortable marked by an overall gearing ratio of 0.70 times as against 0.56 times as on March 31, 2017. The debt coverage indicators of RCO have been at a comfortable level in FY18 marked by its total debt to gross cash accruals (GCA) ratio of 1.68 times as on March 31, 2018 as against 1.37 times as on March 31, 2017 and the interest coverage ratio of 8.07 times during FY18 as against 11.03 times in FY17.

**Liquidity: Adequate**

The firm's operating cycle stood negative at 80 days in FY18 as against negative 110 days in FY17. Current ratio of the firm stood above unity level at 1.12 times as on March 31, 2018 as against 0.81 times as on March 31, 2017.

**Analytical Approach: Standalone****Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Rating Methodology-Manufacturing Companies](#)

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

[Criteria for Short Term Instruments](#)

**About the firm**

Dahod-based (Gujarat), Rajshree Construction (RCO) is a partnership firm constituted in 2005 by Mr. Deepsingh Hada, Mr. Hitendrakumar Hada, Mr. Jasvantsinh Hada and Mrs. Kokilaben Hada. RCO is engaged in executing civil construction projects for construction of roads and bridges. The firm also has a class 'A' contractor certificate from the Road & Building department (R&B), Government of Gujarat (GoG) which makes the firm eligible for tendering for the works of roads and building department, irrigation department and public health engineering department in the Gujarat state. The entity generates significant portion of its revenue through road work such as new road construction, patch work, resurfacing executed in the state of Gujarat. RCO secures all its government contracts through open bidding process of R&B department of Gujarat. Orders received by RCO generally get executed within 6-12 months. The firm sub-lets around 10% of its work orders to other local sub-contractors.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	30.25	44.56
PBILDT	3.55	4.75
PAT	1.83	2.63
Overall gearing (times)	0.56	0.70
Interest coverage (times)	11.03	8.07

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable**Any other information:** Not Applicable**Rating History (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-Term Loan	-	-	-	0.13	CARE BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	2.95	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	1.45	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	-	0.01	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	2.05	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	2.30	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

\*Issuer did not cooperate; Based on best available information

**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.	Fund-based - LT-Term Loan	LT	0.13	CARE BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER	-	-	1)CARE BB; ISSUER NOT COOPERATING* (12-Mar-19)	1)CARE BB; ISSUER NOT COOPERATING* (27-Nov-17)

				NOT COOPERATING* on the basis of best available information				
2.	Fund-based - LT-Cash Credit	LT	2.95	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB; ISSUER NOT COOPERATING* (12-Mar-19)	1)CARE BB; ISSUER NOT COOPERATING* (27-Nov-17)
3.	Non-fund-based - ST-Bank Guarantees	ST	1.45	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (12-Mar-19)	1)CARE A4; ISSUER NOT COOPERATING* (27-Nov-17)
4.	Fund-based - LT-Term Loan	LT	0.01	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB; ISSUER NOT COOPERATING* (12-Mar-19)	1)CARE BB; ISSUER NOT COOPERATING* (27-Nov-17)
5.	Fund-based - LT-Cash Credit	LT	2.05	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB; ISSUER NOT COOPERATING* (12-Mar-19)	1)CARE BB; ISSUER NOT COOPERATING* (27-Nov-17)
6.	Non-fund-based - ST-Bank Guarantees	ST	2.30	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (12-Mar-19)	1)CARE A4; ISSUER NOT COOPERATING* (27-Nov-17)

\*Issuer did not cooperate; Based on best available information

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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