

## RATING RATIONALE

19 Mar 2020

R K Jain Infra Projects Pvt. Ltd.

**Brickwork Ratings reaffirms the rating for the enhanced Bank Loan Facilities of ₹ 136 Crores of R K Jain Infra Projects Pvt. Ltd.**

### Particulars

Facility/ Instrument**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (31 Oct 19)	Present
Fund Based Cash Credit	7.00	7.00	Long Term	BWR BBB-/Stable	BWR BBB-/Stable (Reaffirmation)
Non-fund Based BG BG- Proposed	91.00 -	91.00 38.00			
<b>Total</b>	98.00	136.00	INR One Hundred Thirty Six Crores Only		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

### RATING ACTION / OUTLOOK

BWR has reaffirmed the rating of RK Jain Infra Projects Pvt. Ltd (RKJIPL or ‘the company’) as it continues to maintain its financial risk profile indicated by its moderate debt protection metrics and comfortable gearing & overall leverage. The rating also factors in the accelerated work execution by the company leading to a robust revenue growth in the current year. Revenues for 10MFY20 have surpassed the company’s projection of Rs 300 Crs for full year FY20. The company is currently working on 22 different projects at various geographies across north Indian states. The company’s work order pipeline stands at Rs 271 Crores (including the two unexecuted orders of the PRL-RKJIPL JV totalling Rs 141 Crores). Besides these orders, the company is bidding for new construction projects which would require issuance of new bank guarantees favoring the state departments, and hence an increase in its BG limits. The rating, however, continues to remain constrained by the tender based nature of the business and time and cost overrun risks associated with executing large construction projects under JV arrangement.

### OUTLOOK: STABLE

BWR believes that the business risk profile of RKJIPL will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The outlook may be revised to positive in case the revenues and profitability margins show a sustained improvement. It may

be revised to negative if the revenues go down and profitability margins show lower than expected figures.

## KEY RATING DRIVERS

### Credit Strengths:

- **Experienced management:** The key promoter, Mr Rakesh Kumar Jain, has an experience of over three decades in the civil construction business. The promoter's healthy relationships with the stakeholders should continue to support the company's business risk profile in the medium to long term.
- **Significant Revenue growth:** Although the revenues remained flat at Rs 202 Crs in FY19, the company is expecting a significant growth of ~100% in FY20, as it has already achieved revenues of Rs 336 Crores in 10MFY20 backed by swift execution in road construction & toll collection projects.
- **Strong revenue visibility for medium term & diversified order book:** RKJIPL's unexecuted order book stands at Rs 132 Crs on 01.02.20. There are currently 18 projects where work is in progress, most of them culminating in 2021. Besides these, the company has also formed a Joint Venture in the name of PRL RKJIPL to execute two construction projects worth Rs 309 Crs in M.P & Rajasthan. The unexecuted value of JV projects is Rs 142 Crores as on 01.02.20. The company operates in 4 states through various engagements with state government departments and agencies. The company is further planning to bid for new projects.
- **Comfortable financial risk profile:** The company's ISCR stood comfortable at 4.84x in FY19 owing to increase in operating margins from 9.83% to 12.45%. The gearing and TOL/TNW also stood moderate 1.33x and 1.88x in FY19 as compared to 1.27x and 2.10x respectively in FY18. The net cash accruals to the long term debt ratio of the company stood at 0.72x while the total debt/EBITDA stood comfortable at 1.83x in FY19.

### Credit Weakness:

- **Tender based nature of business:** RKJIPL's operations are tender based and its topline depends on the successful bidding and timely execution of the projects. The company's toll collection projects for various state agencies also carry the revenue loss risk as the company has a fixed obligation to make against the toll collected per day.
- **Moderate DSCR:** The company has aggressively invested in acquiring fixed assets in FY19, although it has yielded considerable results indicated by high revenue growth in 10MFY20. The debt funded acquisition of machinery has resulted in a decline in DSCR from a comfortable level of 1.52x in FY18 to 1.33x in FY19. However, the DSCR is expected to increase in FY20, given that the company is expecting a higher EBITDA & PAT in FY20. The company's cash accruals will remain in the range of Rs 23- 25 Crs against the maturing debt of Rs 15- 17 Crs in FY20.



## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

The rating of R K Jain Infra Projects Pvt. Ltd. is arrived at on a standalone basis after independent evaluation of its financial risk profile. For arriving at its ratings, BWR has applied its rating methodology as detailed in the rating criteria detailed below (hyperlinks provided at the end of this rationale)

## RATING SENSITIVITIES

**Positive:** The rating may be upgraded if the company is able to meet its projected revenues and profits, with a caveat of DSCR remaining above 1.5x and TOL/TNW ratio of less than 1.5x, along with other parameters favouring an upgrade.

**Negative:** The rating may be downgraded if the company's ISCR and DSCR deteriorates to lower than 2x and 1x respectively. It may also be downgraded if there are any adverse circumstances related to execution of projects in progress or the work order pipeline dries up significantly.

## LIQUIDITY POSITION

Adequate liquidity is characterised by comfortable ISCR of 4.84x, judicious utilisation of bank limits ~40% for the last 12 months on an average, comfortable current ratio of 1.38x & low cash conversion cycle of the company. Its cash accruals are expected to be ~ Rs 23 Crs (FY20), sufficient to service the maturing debt of Rs 15-17 Crores. The company's working capital requirements are largely met through internal cash accruals as the receivable collection mechanism is fairly efficient.

## COMPANY PROFILE

R K Jain Infra Projects Pvt Ltd. (RKJIPL) founded by its director, Mr Rakesh Kr Jain in 2012. The company undertakes a mix of road construction and toll collection contracts. The company participates in various tenders floated by the state governments and its agencies. The geographical presence of the company spans across the states of Haryana, M.P, Rajasthan, U.P & Bihar.

## KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Total Operating Income	₹ Cr	202.60	202.96
OPBDIT	₹ Cr	25.23	19.95
PAT	₹ Cr	7.68	6.97
Tangible Net Worth	₹ Cr	34.72	26.96
Total Debt/Tangible Net worth	Times	1.88	2.10
Current Ratio	Times	1.38	1.16

## KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NONE



**NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY**

**RATING HISTORY**

Current Rating				Rating History					
18 Mar 2020				31 Oct 2019				2018	2017
Facilities	Type	Amount	Rating	Facilities	Type	Amount	Rating	NA	NA
FB	Long Term	7.00	BWR BBB-/Stable	FB	Long Term	7.00	BWR BBB-/Stable		
NFB		129.00		NFB		91.00			
Total		136.00		Total		98.00			
-				-					

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	SBI	BG	25.00	-	25.00
2		CC	5.00	-	5.00
3	HDFC	CC	2.00	-	2.00
4		BG	46.00	-	46.00
5	Yes Bank	BG	12.00	-	12.00
6	ICICI	BG	8.00	-	8.00
7	Proposed	BG	38.00	-	38.00
<b>TOTAL</b>					<b>136.00</b>

**Total Rupees One Hundred Thirty Six Crores only.**

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**About Brickwork Ratings** :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



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