

**Rating Rationale**

18 Feb 2021

**Raj Construction**

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 7.50 Crores of Raj Construction.**

**Particulars:**

Facility	Amount (₹ Crs)	Present Amount Rated (₹ Crs)	Tenure	BWR Rating History (24 Dec 2019)	Rating*
<b>Fund Based</b>					
<b>Cash Credit Overdraft</b>	1.00 2.00	1.00 2.00	Long Term	BWR B- (Stable) Issuer not cooperating	BWR B- Stable (Reaffirmed)
<b>Non-fund Based Bank Guarantee</b>	4.50	4.50	Short Term	BWR A4 Issuer not cooperating	BWR A4 (Reaffirmed)
<b>Total</b>	<b>7.50</b>	<b>7.50</b>	<b>INR Seven Crores &amp; Fifty Lakhs Lakhs only</b>		

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

**Ratings:Reaffirmed**

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon the firm's audited statements upto FY20, projected numbers for FY21 and publicly available information and the information/clarifications provided by the company's management.

The ability of the firm to achieve the projections, to improve the profitability, to maintain its working capital efficiently and to improve its overall financial risk profile shall be the key rating sensitivity.

**Rating Sensitivities:**

The ability of the firm to achieve the projections, to improve its scale of operations and profitability, to maintain its working capital efficiently and to improve its overall financial risk profile shall be the key rating sensitivity.



## Description of Key Rating Drivers

### Credit Strengths:

- One of the partners has extensive experience in this line of activity.
- EBITDA margins are comfortable at 9.58% in FY20 and has improved from 7.16%(FY19).
- NPM has also improved from 0.81%(FY 19) to 1.33% in FY 20.

### Credit risks:

- Declining sales on y-o-y basis observed in the firm.
- Thin and declining ISCR & DSCR below 1.
- Tender based contracts limiting the bargaining power of the Firm.
- Partnership constitution is associated with risk of withdrawal of capital by partners.
- Intense competition from other established players in the vicinity.

**Liquidity position: Stretched:** The firm's liquidity is stretched as average working capital utilization is 100% for the last 12 months ending December 2020. The firm has low cash balances of Rs.0.03cr. However, high utilization of sanctioned working capital limits provides limited liquidity buffer, and hence judicial management of working capital will remain critical for the firm going forward.

### Analytical Approach

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 Outlook: *Stable*

BWR believes the **Raj Construction** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### About the Company

Raj Construction (RC) was established in the year 2007 as a partnership firm. Mr. Kamalkant D. Brahmhatt is the managing partner of the firm and has around 15 yrs of experience in construction business. The firm undertakes civil construction works, mainly Bitumen and RCC roads for government departments.

### Company Financial Performance

Total operating income (TOI) has significantly decreased to Rs. 10.21 crs in FY20 over Rs.16.29 crs in FY19. EBITDA margins are comfortable at 9.58% in FY20 and have improved from 7.16%(FY19). NPM has also improved from 0.81%(FY 19) to 1.33% in FY 20.

**Rating History for the last three years**

S.No	Facility	Current Rating (2021)^			Rating History		
		Type	Amount (₹ Crs)	Rating	24Aug2020	8 Apr2019	7 Aug2018
1	Fund Based Cash Credit Overdraft	Long Term	1.00 2.00	BWR B- Stable (Reaffirmed)	BWR B- [Downgraded] Issuer not cooperating * Stable	BWR B Outlook: Stable Downgraded	Rating not reviewed
2	Non-fund Based Bank Guarantee	Short Term	4.50	BWR A4 (Reaffirmed)	BWR A4 [Reaffirmed] Issuer not cooperating *	BWR A4 Reaffirmed	
<b>Total</b>			<b>7.50</b>	<b>INR Seven Crores &amp; Fifty Lakhs Lakhs only</b>			

**Status of non-cooperation with previous CRA (if applicable)-NA**  
**Any other information**

**Key Financial Indicators**

Key Parameters	Units	2020	2019
<b>Result Type</b>			
Operating Revenue	₹ Cr	10.21	16.29
EBITDA	₹ Cr	0.98	1.17
PAT	₹ Cr	0.14	0.13
Tangible Net worth	₹ Cr	3.25	3.14
Total Debt/Tangible Net worth	Times	2.06	2.79
Current Ratio	Times	2.14	2.29



**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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