

**Ramiya Construction Pvt Ltd**

**Brickwork Ratings upgrades the ratings for Long Term Bank Loan Facilities and reaffirms the ratings for the short term bank loan facilities of Ramiya Construction Pvt Ltd (“RCPL” or the Company), for an enhanced aggregate amount of Rs. 35.00 crores.**

**Particulars**

Facilities#	Amount (Rs.Crs.)		Tenure	Rating*	
	Previous	Present		Previous 20 February 2019 <sup>^</sup>	Present
<b>Fund Based:</b> Overdraft	3.57	3.57	<b>Long Term</b>	<b>BWR BB Stable Reaffirmed</b>	<b>BWR BB+ Stable, Upgraded</b>
<b>Non-Fund Based:</b> Bank Guarantee Proposed Bank Guarantee	10.00 15.00	10.00 21.43	<b>Short Term</b>	<b>BWR A4+ Reaffirmed</b>	<b>BWR A4+ Reaffirmed</b>
<b>Total</b>	<b>28.57</b>	<b>35.00</b>	<b>INR Thirty-Five Crores Only</b>		

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

# Details of Bank Loan facilities are provided in Annexure-I.

<sup>^</sup>Rating moved to Not Reviewed Category on 24 February 2020.

\*\* Issuer did not cooperate, based on best available information.

**RATING ACTION: Rating Upgrade/Reaffirmation with Stable Outlook**

Brickwork Ratings has **upgraded** the ratings for the long term bank loan facilities of Rs. 3.57 crores of Ramiya Construction Pvt Ltd to **BWR BB+ with a Stable outlook**, and has **reaffirmed** the rating for their short term bank loan facilities at **A4+** for an enhanced amount of Rs. 31.43 Crs (aggregate rated amount enhanced to Rs. 35.00 Crs).

The upgrade of the ratings factors in the company’s management experience and long standing market presence, geographical expansion, improvement in scale of operations, healthy order book position, comfortable debt-protection metrics and acceptable financial indicators. The rating is however, constrained by the tender based nature of business of the company, presence in highly competitive industry and volatile margins due to change in raw material prices.

The outlook of the company is maintained at stable as the current financial position of the company is not likely to undergo any major change in the near to medium term.

## KEY COVENANTS OF THE FACILITY RATED: NA

## KEY RATING DRIVERS

### Credit Strengths:

- **Management Experience and long standing market presence:** There has been a change in the directors of the company, Mr. Suresh Yadav has resigned from the directorship and Mr. Dharendra Kumar and Mr. Birendra Kumar have joined the company in March, 2020. Mr. Vineet Yadav, Mr. Birendra Kumar and Mr. Dharendra Kumar are the present directors of the company with an experience of more than 5 years in similar lines of business. Along with management experience, the company has a long standing market presence since 2001, which is an asset for the company.
- **Geographical expansion:** The company has expanded its geographical presence to Delhi from FY 21 and has bagged several contracts there, apart from Bihar and Jharkhand.
- **Improvement in scale of operations:** The company has increased and maintained the scale of operations achieved in FY 19 as shown by turnover of Rs. 101.22 Crs, and Rs. 105.67 Crs in FY 20 against Rs. 34.28 Crs in FY 18. The scale of operations has improved, through bidding for increased number of tenders in civil construction both in Bihar and Jharkhand, along with improvement in stone quarry business. The company has already booked revenue of Rs. 108.00 Crs in the first eight months of FY 21 - which shows its capability to achieve its projected revenues.
- **Healthy Order Book Position:** The company has an order book position of Rs. 205.00 Crs unexecuted contracts to be executed by September 2021, as on November 2020 against order book position of Rs. 231.30 Crs as on 20 Feb 2019. Of this, approximately Rs. 41.00 crores is likely to be realised by March, 2021. The company has also bagged orders of civil contracts from Delhi, where they have recently expanded their business.
- **Comfortable debt protection metrics:** The company has comfortable debt protection metrics as shown by debt service coverage ratio of 4.03 times and interest service coverage ratio of 10.79 times in FY 20. The company has no long term obligations but only overdraft and bank guarantee facilities from the bank.
- **Acceptable financial indicators:** Company has acceptable financial indicators as shown by its gearing ratio of 0.70 times in FY 20 against 1.26 times in FY 19, networth has improved to Rs. 21.05 Crs in FY 20 against Rs. 13.99 Crs in FY 19, Total outside liabilities to total net-worth is 2.76 times in FY 20 against 4.87 times in FY 19, improvement in net-profit margin and operating profit margin to 5.93 % and 16.86 % respectively in FY 20 against 4.76% and 12.24% in FY 19.

### Credit risks:

- **Tender based nature of business:** The company bags its contracts from the government departments of Jharkhand, Bihar and Delhi through bidding. The turnover of the company is dependent on the number of tenders received from tenders bid in a year, hence there is some uncertainty in the number of tenders won. However, the business from stone quarry supports the overall turnover of the company.
- **Presence in highly competitive industry:** Entities in this segment face intense competition, thus requiring to bid aggressively to procure contracts, which restricts the operating margin to a moderate level. Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability through operating efficiency becomes critical.
- **Volatile Margins due to change in raw material prices:** Raw material consumption cost typically forms a major part of cost of construction. Any unfavorable fluctuations in prices of raw materials can impact operating margins given the raw material intensive nature of the company's operations.

### ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

### RATING SENSITIVITIES

**Positive:** The rating may be upgraded in case of increase in scale of operations, as well as improvement in margins and debt protection metrics of the company.

**Negative:** Any delays in servicing of debt obligations, deterioration in liquidity and debt protection metrics, may lead to negative rating action.

### Liquidity Position: Adequate

The liquidity position of the company is adequate. Average utilisation of Overdraft limits has been about 64.00% in the last eight and a half months (April 2020- December 14, 2020). The ISCR stood at 10.79 times in FY 20 against 8.22 times in FY 19. The Company has not availed moratorium facility under COVID from the bank. Net Cash Accruals of the company stood at Rs. 13.90 crs as on 31 March 2020 against Rs. 9.20 Crs in FY 19. The company will be in a position to service in debt obligations from its cash accruals. However, the Total cash & cash equivalent balance as on 31 March 2020 was Rs. 1.56 crs against Rs. 4.82 Crs in FY 19 and current ratio stood at 0.86 times in FY 20, as against 0.44 times in FY 19.

### COMPANY's PROFILE



Ramiya Construction Private Limited(RCPL) was incorporated on 25 September 2001 with its registered office at Rampur, Gaya, Bihar. The directors of the company are Mr. Vineet Yadav, Mr. Dharendra Kumar and Mr. Birendra Kumar. The company is engaged as a civil contractor and is involved in construction of Roads and Bridges for Bihar and Jharkhand Government. The Company has also expanded to Delhi for civil construction projects, from the current year. The company has also procured a stone quarry and also undertakes quarrying activity.

### KEY FINANCIAL INDICATORS

Improvement in overall financials, as evident by the improvement in networth position from Rs. 13.99 Crs in FY 19 to Rs. 21.05 Crs in FY 20, and PAT from Rs. 4.28 Crs in FY 19 to Rs. 6.27 Crs in FY 20. ISCR and DSCR of 10.79 times & 4.03 times respectively in FY 20 against 8.22 times & 5.68 times in FY 19.

Key Financial Indicators	Units	FY 20	FY 19
Result Type		Audited	Audited
Operating Revenue	INR Cr	105.67	101.22
EBITDA	INR Cr	17.82	12.39
PAT	INR Cr	6.27	4.28
Tangible Net Worth	INR Cr	21.05	13.99
Total Debt/Tangible Net Worth	Times	0.70	1.26
Current Ratio	Times	0.86	0.44

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY): NA**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawals and suspensions):**

S.No	Name of Instrument	Current Rating - January 2021			Chronology of Rating History for the past 3 years along with outlook/watch , if applicable																				
		Type(Long term/ Short Term)	Amount Outstanding (Rs. in Crs.)	Rating	Date(s) & rating(s) assigned in year 2020	Date(s) & rating(s) assigned in year 2019 <sup>^</sup>	Date(s) & rating(s) assigned in year 2018																		
1.	Bank Loan Facility	Long Term	3.57	BWR BB+ / Stable, Upgraded	-	20 Feb 2019	09 July 2018																		
		Short Term	31.43	BWR A4+, Reaffirmed@ @with enhancement in rating amount		<table border="1"> <tr> <td>F B</td> <td>3.57</td> <td>BWR BB, Stable Reaffirmed</td> </tr> <tr> <td>N F B</td> <td>25.00</td> <td>BWR A4+ Reaffirmed#</td> </tr> <tr> <td>Total</td> <td>28.57</td> <td></td> </tr> </table> <p>#with enhancement in rating value</p>	F B	3.57	BWR BB, Stable Reaffirmed	N F B	25.00	BWR A4+ Reaffirmed#	Total	28.57		<table border="1"> <tr> <td>FB</td> <td>3.57</td> <td>BWR BB Stable Assigned</td> </tr> <tr> <td>NFB</td> <td>10.00</td> <td>BWR A4+ Assigned</td> </tr> <tr> <td>Total</td> <td>13.57</td> <td></td> </tr> </table>	FB	3.57	BWR BB Stable Assigned	NFB	10.00	BWR A4+ Assigned	Total	13.57	
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\* Issuer did not cooperate, based on best available information.

Rating advisory was issued on “22 Sep 2020”.

**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](#)
- [Financial Ratios](#)
- [Short Term Debt](#)

- [Services Sector](#)

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**Ramiya Construction Pvt Ltd**

**ANNEXURE I**

**Details of Bank Loan Facilities rated by BWR**

Sl. No	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
1.	Overdraft	3.57	-	3.57
2.	Bank Guarantee	-	31.43	31.43
<b>Total</b>				<b>35.00</b>
<b>INR Thirty-Five Crores Only</b>				



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