

RATING RATIONALE

20 October 2021

Rockdrill Projects Pvt. Ltd.

Brickwork Ratings revises the rating for the Bank Loan Facilities of ₹ 30 Crores of Rockdrill Projects Pvt. Ltd.

Particulars:

Facility** Fund Based	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2020)	Present
Fund Based	5.00	20.00	Long Term	BWR C+ (Downgrade) Issuer Non Cooperation	BWR B+ Stable (Upgrade)
Non Fund Based	10.00	10.00	Short Term	BWR A4 (Reaffirmation) Issuer Non Cooperation	BWR A4 (Reaffirmation)
Total	15.00	30.00	Rupees Thirty Crore only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR upgraded the rating of long term facilities as BWR B+/Stable and reaffirmed the short term facilities as A4 for the bank loan facilities assigned to Rockdrill Projects Pvt. Ltd.

The rating draws strength from company, management experience and trade relations also moderate financial risk profile. However, the rating is constrained by highly competitive nature of the industry, the Working-capital-intensive nature of operations, and susceptibility to risks inherent in tender-based business.

BWR believes that **Rockdrill Projects Pvt. Ltd.** 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 there is a deterioration in financial risk profile.

KEY RATING DRIVERS

Credit Strengths:-

- **Company, Management Experience and trade relations:** The firm is in operations for about 19 Years in the same line of business. The proprietor and the Management has extensive experience in the same line of business and has gained the complete business insights and also business dynamics. Also the proprietors has approx. two decades of experience.
- **Moderate Financial Risk Profile:** The firm has achieved Total Operating Income of Rs. 35.30 in FY20 which has decreased from the previous Rs. 54.35 Crores in FY19. The entity has achieved Total operating income of Rs. 20.11 crs. in FY20(prov). The management has informed that they have achieved Rs. 15crs. operational income from April 2021 till June 2021. The tangible networth of the firm has improved from Rs. 14.07 Crores (analysed at Rs. 17.71 Crores) in FY19 to Rs. 14.88 Crores (analysed at Rs. 16.59 Crores) in FY20. The company has also extended short term loan of INR 7.39 crores to M/S G S Build Estate Private Ltd. and INR 1.01 crores to IICON (Both are the associates) in FY20. The gearing ratio stands at 3.03x in FY20 as against 3.46x in FY19 also the gearing ratio analysed stand at 2.63x and 2.56x in FY 20 and Fy19 respectively. Current ratio being at 1.04x in FY20 improved from previous 0.97x in FY19.

Credit risks:-

- **Highly competitive nature of the industry:** The company operates in a highly competitive business environment. It faces stiff competition from both organised and unorganised players. The intense competition in the industry continues to limit the profitability of the Company.
- **Working-capital-intensive nature of operations:** The company's operations are working-capital-intensive due to the high cost of construction material, high labour cost, advance to suppliers and delays in getting payments from government departments, among others. (CC Utilization 97.87%)
- **Susceptibility to risks inherent in tender based business:** Since the entire operations are tender based, the business depends on the ability to bid for tenders successfully. Also, the majority of orders are from Government agencies, resulting in high dependence on timely clearances for tenders and payments. Revenue and profitability are expected to remain susceptible to risks inherent in tender based operations. Tender based operations limit pricing flexibility in an intensely competitive industry.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

Going forward, the ability of the entity to achieve projected revenue & profitability margins, improve scale of operations, liquidity profile and capital structure by infusion of additional capital would be key rating sensitivities.

Positive: The rating outlook may be revised to 'Positive' in case significant increases in company's scale of operations and further diversifying its revenue sources while improving its profitability.

Negative: The rating may be downgraded if there is any deterioration in overall financial risk profile.

LIQUIDITY PROFILE (Stretched)

- Rockdrill has two associate concerns GS Buildestate and IICON, to which the entity has provided an Inter-corporate short term loan of INR 7.39 crores to M/S G S Build Estate Private Ltd. and INR 1.01 crores to IICON. But, there is no operational linkage between them.
- The firm has Cash & Bank balances of Rs. 0.15 Crs in FY20.
- Long Term Borrowings of INR 9.44 Crores in FY20 include two vehicle Loans from Union Bank of India of INR 0.05 Crores Each. Machinery Loan from Yes Bank INR 0.42 crores, Loans from Hinduja Leyland Finance of INR 2.01 crores, Loan from HDB Financial Services of INR 0.84 Crores, two Car loans from Indian Bank of INR 0.29 crores and INR 0.46 crores, Loan from Kotak Mahindra bank of INR 0.11 crores, two capital loans from TATA of INR 0.19 crores and one unsecured business loan from SIDBI INR 4.87 crores. The cash flow statement has not been submitted by the company.
- Average CC utilization of the Last 6 Months comes out to be ~98.16%.
- The current ratio is 1.04x in FY20.
- In FY20 ISCR is at 1.69x and DSCR is at 1.07.

Holding/Subsidiary Company: NA

COMPANY PROFILE

M/s. Amit Arora was started in the year 1992 as a proprietorship. Subsequently in the year 2010, the firm was reconstituted as a private limited namely as Rock Drill Projects Private Ltd.

The Company is engaged in Construction such as laying ducts, cables, Oil & Gas pipelines, Water & Sewer lines below the ground. For the following industries Telecommunication, Internet, Cable television, Oil and Gas Pipelines, Power Industry, Sewerage, Water Supply and Irrigation (Horizontal Direction Drilling Works).

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY21	FY20
Result Type		Prov.	Audited
Total Operating Income	Crores	20.11	35.30
EBITDA	Crores	8.34	10.16
PAT	Crores	1.43	0.80
Tangible Net Worth	Crores	16.02	14.88
Total Debt/TNW	Times	2.71	3.03
Current Ratio	Times	1.61	1.04

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: None

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Not available

RATING HISTORY (FOR THE LAST THREE YEARS INCLUDING WITHDRAWALS AND SUSPENDED)

Instrument / Facilities	Current Rating (2021)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2020	2019	2018
Fund Based	Long Term	20.00	BWR B+ Stable (Upgrade)	BWR C+ (Downgrade) Issuer non Cooperation	--	--
Non Fund Based	Short Term	10.00	BWR A4 (Reaffirm)	BWR A4 (Reaffirm) Issuer Non Cooperation		
Total	30.00		INR Thirty crore Only			

Note: The initial rating was assigned as BB-(Stable)/A4 on 24th Feb 2015.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to financial ratios](#)

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Rockdrill Projects Pvt. Ltd.
ANNEXURE I
Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Short Term (₹ Cr)	Long Term (₹ Cr)	Total (₹ Cr)
1.	Union Bank of India	Cash Credit	-	20.00	20.00
2.	Union Bank of India	BG	10	-	10.00
TOTAL					30.00

Total Rupees Thirty Crore only.

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