

September 20, 2022

Rajendra Singh Bhamboo Infra Private Limited: [ICRA]BBB+ (Stable)/ [ICRA]A2 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	6.50	[ICRA]BBB+ (Stable); assigned
Long-term/ Short-term – Non-fund based – Bank guarantee	18.50	[ICRA]BBB+ (Stable)/ [ICRA]A2; assigned
Total	25.00	

*Instrument details are provided in Annexure I

Rationale

The ratings assigned to Rajendra Singh Bhamboo Infra Private Limited (RSBIPL) favourably factor in the healthy compounded annual growth rate (CAGR) of ~19.5% during FY2019-FY2022, its adequate order book position (Rs. 1,317 crore, i.e., 2.0 times of FY2022 revenue), which provides medium-term revenue visibility. The ratings note its above average financial profile with stable operating margin of 11.3% and comfortable interest coverage of 6.2 times. ICRA expects the company to maintain its revenue growth momentum with expected turnover of over Rs. 750 crore in FY2023. The ratings derive strength from the reputed clientele comprising public sector entities with low counterparty credit risk and the extensive experience of the promoters in the construction sector.

The rating strengths are offset by the moderate total outside liabilities to tangible net worth (TOL/TNW) of approx. 1.5 times as on March 31, 2022, as the company relies on mobilisation advances and extended credit period from suppliers to support its working capital requirement. The ratings factor in the concentration risks associated with RSBIPL's order book with top five projects accounting for ~95% of the same. It is also exposed to execution risk, given that ~60% of orders in hand (by residual order value) are in the nascent stages of execution (less than 20% progress). However, ICRA draws comfort from RSBIPL's track record in the construction business and successful completion of projects within the stipulated time.

RSBIPL is exposed to the cyclical nature inherent in the construction industry and intense competition in the tender-based contract award system, resulting in risk of volatility in order inflows, revenues and pressure on profit margins. However, its long presence and established relationship with the clients provide comfort. The ratings consider the company's exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, mobilisation advance and security deposits. Nonetheless, ICRA draws comfort from RSBIPL's execution track record and absence of invocation of guarantees in the past.

The Stable outlook on the long-term rating reflects ICRA's opinion that RSBIPL will continue to benefit from its favourable operational track record, its reputed clientele and its adequate order book position.

Key rating drivers and their description

Credit strengths

Adequate order book position providing medium-term revenue visibility – RSBIPL has a pending order book of Rs. 1,317 crore as on March 31, 2022, which is ~2 times of the OI in FY2022 (provisional) providing healthy medium-term revenue visibility. Further, it has emerged as an L1 bidder in two orders worth Rs. 347 crore. In the first four months of the current financial year, the company has generated revenues over Rs. 300 crore and is expected to register revenue of over ~Rs. 750 crore in FY2023.

Healthy coverage metrics – RSBIPL witnessed a robust growth of 56.4% in its OI in FY2022 (OI of Rs. 628.3 crore) despite the Covid-19 pandemic-induced challenges. While its operating profitability is moderate, it has remained fairly stable with only marginal decline in FY2022 due to negligible hire income during the year (Rs. 3.89 crore of hire income in FY2021). Further, limited dependence on external borrowings has supported its credit metrics as reflected in gearing (debt/net worth) ratio of 0.5 times, and interest coverage of 6.2 times in FY2022.

Experience of promoters and management in construction industry and strong clientele – With more than three decades of experience in the construction sector, RSBIPL was promoted by Mr. Rajendra Singh Bhamboo and Mr. Rajendra Kumar Dangi. It has undertaken projects for various other government authorities like the Public Works Department (PWD), Jaipur Development Authority (JDA), Rajasthan State Road Development and Construction Corporation (RSRDC) and Water Resources Department (WRD). The current order book comprises orders from reputed public sector entities with a low counterparty credit risk viz. National Highways Authority of India (NHAI), National Highways and Infrastructure Development Corporation Limited (NHIDCL), etc.

Credit challenges

Concentrated order book and execution risks – The company's order book remains exposed to project concentration risk as the top five projects accounted for ~95% of the order book as on March 31, 2022. RSBIPL remains exposed to execution risks associated with the contracts as ~60% of orders are in the nascent stage with less than 20% progress. Moreover, one of its projects is yet to receive the appointed date.

Moderate TOL/TNW – RSBIPL has moderate total outside liabilities to tangible net worth (TOL/TNW) of 1.5 times as on March 31, 2022, as the company relies on mobilisation advances and extended credit period from suppliers to support its working capital requirement. However, the same has gradually improved to 1.5 times as on March 31, 2022 from 2.3 times as on March 31, 2020.

Risks associated with construction sector including sizeable non-fund based exposure – RSBIPL is exposed to the cyclicity inherent in the construction industry and intense competition in the tender-based contract award system, resulting in risk of volatility in order inflows, revenues and pressure on profit margins. However, its long presence and established relationship with clients provide comfort. Most of the contracts have the provision for price variation of key raw materials such as cement and steel, which protects the profitability to an extent. It is exposed to sizeable contingent liabilities in the form of bank guarantees (~Rs. 200.1 crore as on March 31, 2022), mainly towards performance guarantee, mobilisation advance and security deposits. Nonetheless, ICRA draws comfort from RSBIPL's healthy execution track record and no invocation of guarantees in the past.

Liquidity position: Adequate

The company's liquidity position is adequate with free cash and bank balances amounting to Rs. 25.60 crore, adequate cushion in the form of unutilised fund-based limits (approx. Rs. 38.6 crore as on March 31, 2022) compared to the external term debt of Rs. 42.6 crore as on March 31, 2022. In addition, RSBIPL enjoys flexibility through provision to avail mobilisation advances and realise retention money against bank guarantee.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a substantial improvement in the scale of operations along with profitability margins, liquidity position and credit metrics. Specific credit metrics that could lead to a rating upgrade include TOL/TNW below 1.5 times, on a sustained basis.

Negative factors – Negative pressure on the ratings could arise if there are significant delays in project execution, leading to a decline in its scale, operating profitability, or deterioration in its liquidity position, or if there is a higher-than-expected increase in exposure to developmental projects such as HAM or BOT projects. Significant increase in working capital intensity, or TOL/TNW increasing over 2.0 times, on a sustained basis, may trigger a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Construction Entities
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Rajendra Singh Bhamboo Infra Private Limited (RSBIPL) is a construction company promoted by Mr. Rajendra Singh Bhamboo and Mr. Rajendra Singh Dangi, who have been associated with the construction sector since 1980. Earlier, the promoters were operating under a partnership firm - M/s Rajendra Singh Bhamboo.

RSBIPL is involved in the business of civil construction, which primarily includes construction of roads and bridges. It had completed multiple projects in Rajasthan and Madhya Pradesh, and is currently executing projects in Maharashtra, Tripura and Assam.

The company is enlisted as “AA” class contractor with Public Works Department (PWD) Government of Rajasthan, Jaipur Development Authority (JDA), Water Resources Department (WRD) Government of Rajasthan and Rajasthan Housing Board (RHB).

Key financial indicators (audited)

	FY2021	FY2022
Operating income	401.7	628.3
PAT	18.1	37.3
OPBDIT/OI	10.6%	11.3%
PAT/OI	4.5%	5.9%
Total outside liabilities/Tangible net worth (times)	1.7	1.5
Total debt/OPBDIT (times)	1.3	0.9
Interest coverage (times)	4.1	6.2

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2023)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on March 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Sep 20, 2022			
1	Cash credit	Long term	6.50	-	[ICRA]BBB+ (Stable)	-	-	-
2	Bank guarantee	Long term and short term	18.50	-	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term/ Short-term – Non-fund based – Bank guarantee	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	NA	NA	NA	6.50	[ICRA]BBB+ (Stable)
NA	Bank Guarantee	NA	NA	NA	18.50	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not applicable

ANALYST CONTACT

Rajeshwar Burla
+91 040 40676527
rajeshwar.burla@icraindia.com

Ashish Modani
+91 22 6114 3414
ashish.modani@icraindia.com

Abhishek Gupta
+91 124 4545863
abhishek.gupta@icraindia.com

Mrinal Jain
+91 124 4545845
mrinal.jain@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.