Roman Tarmat Limited

RATING HISTORY

	Rating Outstanding	Previous Ratings
	August 2009	
Rs. 0.3 billion Cash Credit	LBBB	-
Rs. 1.0 billion Bank Guarantee	LBBB	
Rs. 0.05 billion Letter of Credit	A2	

ICRA has assigned LBBB (pronounced L triple B) rating, indicating moderate-credit-quality in the long term to the Rs. 0.3 billion cash credit limit and Rs. 1.0 billion of bank guarantees of Roman Tarmat Limited (RTL)†. ICRA has also assigned A2 (pronounced A two) rating, indicating above-average-credit-quality in the short term to the Rs. 0.05 billion letter of credit of RTL†.

The ratings reflect RTL's established track record in the domestic construction industry and healthy growth in its order book over the last three years supported by buoyancy in the infrastructure sector. The ratings also factor in RTL's improved financial risk profile on account of Rs. 0.51 billion of funds raised by the company through public issue of equity shares in June 2007 resulting in its low gearing of 0.19 as of 31st March, 2009. ICRA also takes into account the experienced management team and established operational technical capabilities of the company. However, the ratings are constrained by company's moderate scale of operations; high sectoral concentration in its order-book with around 81% of its projects in roads and highways; falling operating margins and rising working capital intensity.

† For complete rating definition please refer to ICRA website www.icra.in or any of the ICRA Rating Publications

Since its inception, RTL has executed various projects including construction of roads and runways, and infrastructure projects on contract basis. Over the period, the company has diversified into other areas such as construction of bridges, site levelling and laying of tank foundation. RTL's client profile is diversified comprising mostly of government and public sector companies in addition to a few private companies namely Jet Airways (India) Limited, Mahindra & Mahindra and Sahara India Pariwar. RTL's projects are primarily concentrated in western and southern states including Maharashtra, Gujarat, Karnataka, Kerala and Tamil Nadu.

RTL's order book has increased from Rs. 2.37 billion as of 31st March 2006 to Rs. 3.51 billion as of 30th April, 2009 on account company's growing presence in roads and runways segment. Further, there had been substantial growth in the order book in FY 09 on account of receipt of large contracts like airside works at Kochi Airport from 'Cochin International Airport Ltd.' and construction of roads and bridges on the Singaperumalkoil - Sriperumbudur stretch from 'Tamil Nadu Road Development Company Ltd'. The company further expects to receive large orders in the roads and runways segment in the near future given the substantial number of projects to be awarded by the Government. RTL primarily operates in roads and highway construction sector which presently accounts for approximately 81% of its overall order-book and remaining orders comprising of airside works and other miscellaneous civil construction. RTL's current order book coupled with the strong execution and technical capabilities provides good revenue visibility in the short to medium term.

The company's gearing improved from 0.47 times as on 31st March 2007 to around 0.19 times as of 31st March 2009 supported by the funds infused in the company through Initial Public Offering (IPO). RTL's Net Working Capital Intensity (NWC/OI) has witnessed an increase from 31.52 % in FY07 to 54.79% in FY09 on account of increase in its inventory and debtors days. However, with the company taking steps to speed up its recovery process and diversify its client base, ICRA expects the company's working capital intensity to decline going forward. Further, given the decrease in the price of raw materials such as steel and cement, ICRA expects RTL's margins to improve in the short to medium term.

RTL's Operating Income (OI) witnessed a healthy growth in the last two years, increasing from Rs. 1.17 billion in FY07 to Rs. 1.49 billion in FY09, registering a CAGR of around 13.45%. However, the Operating Profit Margin (OPM) of the company declined from 12.74% in FY07 to 8.66% in FY09 on account of rise in the input costs which were not adequately compensated by the applicable cost escalation clauses provided in the contracts. At 8.66 % in FY 09, RTL's OPM is relatively low as compared to the other major players in the construction industry. This is due to relatively higher contribution of low-margin road projects to its turnover. Nevertheless, the contracts which the company is presently executing have in-built provisions to compensate for majority of the cost escalation which is likely to shield its OPM from the fluctuations in the raw material cost. Further, RTL's increasing focus on economies of scale arising from execution of larger orders and steps taken by the management to improve its cost structure should also have a beneficial impact on its profitability margins.

Company Profile:

Roman Tarmat Ltd. (RTL) is a construction company, which undertakes projects in three broad segments of airside works, roads & highways. The company executes projects primarily in western and southern states namely Gujarat, Maharashtra, Karnataka, Kerala and Tamil Nadu. RTL was established in 1986 as Jerry Varghese Constructions Private Limited, and was converted into public limited company in December 2005. Further, the company went in for a public issue of 0.51 billion equity shares in June 2007. RTL's turnover increased from Rs. 1.17 billion in FY07 to Rs. 1.50 billion in FY09. The company posted a profit after tax (PAT) of Rs. 0.02 billion in FY09 as compared to PAT of Rs.0.10 billion in FY07.In Q1FY10, the company posted OI of Rs. 0.35 billion and PAT of Rs. 0.01 billion.

August 2009

KEY FINANCIALS

		FY09	FY08	FY07
Net Sales	Rs. million	1498.3	1278.7	1164.0
Operating Income	Rs. million	1498.3	1278.7	1172.2
OPBDIT	Rs. million	129.7	80.3	149.4
PAT	Rs. million	22.4	59. 4	104.5
Equity Capital	Rs. million	109.6	109.6	80.6
Net Worth	Rs. million	1063.2	1041.9	513.8
PAT/Operating Income	%	1.50%	4.64%	8.92%
PBIT/(Total Debt + Net Worth + Deferred Tax Liability)	%	9.39%	10.41%	26.18%
OPBDIT/Interest & Finance Charges	Times	1.59	5.19	12.98
Net Cash Accruals/Total Debt	%	29.56%	39.67%	50.23%
Total Debt/Net Worth	Times	0.19	0.19	0.47
(Total Debt + Mobilization Advances)/ Net worth	Times	0.40	0.47	0.68
Total Debt/OPBDITA	Times	1.60	2.42	1.61
NWC/OI	%	54.92%	25.20%	31.53%

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